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# THE INDEPENDENT

Monday 6 October 1997

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## TODAY'S NEWS

### EXCLUSIVE

#### Parents of accused nanny reveal their pain

Louise Woodward, the 19-year-old British nanny accused of killing a small boy in her care, goes on trial in Boston today. Her parents - who have given an exclusive interview to David Osborne, our New York correspondent - are utterly convinced of her innocence. But in every other way their faith has been sorely tried. Page 3

#### Gulf syndrome minister was drugs firm director

At the time the Gulf War broke out, Nicholas Soames, the former Minister for the Armed Forces, was a non-executive director of a company which made one of the drugs thought to have contributed to soldiers' subsequent health problems. Mr Soames oversaw the inquiry into Gulf syndrome. Page 3

#### Blair in Red Square

Everyone knows by now that Tony Blair will appear in a Russian soap opera when he pays a one day visit to Moscow today, as well as go walkabout in Red Square. But Phil Reeves, our Moscow correspondent, wonders why little progress seems to be being made on the more serious question of the release of two British aid workers who have been held hostage in Chechnya for the past three months. Page 3

#### Tories are dying out

More news to cheer up William Hague on the eve of his first annual conference as leader. The Conservative party probably has no more members than the Ministry of Sound, the famous south London dance club, according to a study by the right-wing think tank, the Centre for Policy Studies. And of the 200,000 members who have stayed true blue, almost all are aged over 45; about one in four will probably be dead by the time of the next election. Page 6

#### Free-ranging M&S

Marks and Spencer today becomes the first supermarket chain to stop selling eggs laid by battery-farmed hens. Only free-range eggs will be sold in the company's stores, here and in France. Page 8

#### Net censors unite

An international coalition is trying to find ways of giving a film-style 'rating' to every site on the Internet, in the hope of averting wholesale censorship aimed at preventing children access sites with pornographic or violent content. The problem, according to Charles Arthur, our Science Correspondent, is that it is virtually impossible to agree on an internationally acceptable scale of social values. Page 4

#### Nit treatment 'unsafe'

Studies suggest that malathion, a chemical treatment widely used to kill headlice in children's hair, is a health hazard because it could cause problems if it gets into the child's bloodstream through the scalp. Yet 50 health authorities are still recommending the organophosphate shampoo. Page 8

#### London in the smog

Smogs worse than those in Paris last week have regularly engulfed London in the 1990s, and will almost certainly do so again. Why don't we react? Page 7

## SEEN & HEARD

George Bush always insisted that he was proud of Dan Quayle, his Vice-President, despite the opprobrium that everyone else heaped on his inarticulate, error-prone running mate. But, in a new biography, the historian Herbert S. Parmet has discovered what Bush really thought. Within days of selecting Quayle for the 1988 vice-presidential nomination, Bush wrote in his private diary: "It was my decision, and I blew it." He wasn't prepared to come clean, however. He added (being honest with himself, if not with the rest of us): "I'm not about to say that I blew it."

WEATHER The Eye, page 10  
TELEVISION The Eye, page 12  
CROSSWORDS Page 20 and the Eye, page 9

Web address: <http://www.independent.co.uk>

## Look of a saint. But she was a brutal racketeer



Yvonne Gilford: Her angelic image belied a fearsome reputation as a loan-shark who hired heavies to gain repayments

Yvonne Gilford, the Australian nurse murdered in Saudi Arabia, used Filipino martial arts experts to enforce widespread loan-sharking activities, according to a British pharmacist. While Deborah Parry and Lucille McLauchlan continue to deny killing Gilford, it has become clear that many other people could have had a motive for the murder.

The picture released by Yvonne Gilford's family after her murder last December made her look angelic. In fact, the 55-year-old Australian nurse had a fearsome reputation as a brutal loan-shark who employed hired heavies to beat loan repayments out of her victims.

A witness statement made by a part-time pharmacist at the King Fahd Military Medical Centre in Dhahran, and obtained by The Independent, describes Ms Gilford as a ruthless operator and tells how one of her debtors suffered broken ribs and a dislocated shoulder at the hands of her enforcers.

The statement was made by Jacqueline Taylor, 48, who used to work at the medical centre. It paints a far from angelic picture, describing how Ms Gilford cashed in on the Saudi authorities' failure to pay salaries regularly, resulting in many young nurses having to borrow from the older Ms Gilford at exorbitant rates of interest. Mrs Taylor also describes how one of Ms Gilford's heavies tried to recruit her son, a karate blackbelt, into the debt collection operation.

Mrs Taylor said she had returned to her home in Scotland when Ms Gilford was found stabbed, beaten and suffocated last December.

But, she added: "No-one was surprised by the fact she had been murdered. I think

most people expected it to happen long before this."

Mrs Taylor, 48, met Ms Gilford in May 1996 while she was working in Saudi with her husband, Robert, the general manager of a local company. She covered for a colleague at the King Fahd complex and soon discovered that Ms Gilford's tough reputation went before her.

During the summer of 1996, Mrs Taylor's son, Derek, a second dan blackbelt, visited her and was approached by one of the enforcers, a named karate instructor in Dhahran, and asked if he wanted to earn some money. Most of the enforcers were Filipinos. "Derek told me he was being asked to approach various people to intimidate and threaten them because they owed Yvonne Gilford sums of money they had borrowed from her," said Mrs Taylor.

### EXCLUSIVE BY STEVE BOGGAN

"The reason Derek had been approached was because apparently the Filipinos operated in threes. One member of a particular group was on holiday and they were asking Derek to fill in in his absence."

"It was common knowledge that persons who were in debt to Yvonne Gilford were followed by the Filipinos, who had been issued with photographs of their victims. Derek told me that he had been asked to work two nights for a fee of 500 Riyals (£83)." Her son declined.

Mrs Taylor said Ms Gilford would charge rates of interest at 25 per cent a month. Failure to pay would result in another 25 per cent being added to the debt.

"My understanding is that most people who owed Yvonne Gilford money and failed to repay on time were threatened and

intimidated and eventually paid their outstanding debts to her," she said.

"It was common gossip that if you borrowed the sum of 1,000 Riyals (£167) you had to pay back 1,250 Riyals. That was the amount of interest, approximately 25 per cent, that she charged on a loan. If, however, the borrower was late in making a payment and had to be warned more than once, then she charged a further 25 per cent on the outstanding amount."

"I remember being told of a nurse ... at the King Fahd Military Medical Centre who had been beaten up by three Filipinos and she sustained three broken ribs and a dislocated shoulder because she had not paid her debt," she added.

However, her statement - which the Sharia court refused to consider - also contains information which the nurses' defence lawyers will not find helpful. She claims that it was "common knowledge" that Ms Gilford was a lesbian - a main plank of the prosecution case and something the defence is trying to disprove.

Last week, \$1.2m (£730,000) was paid to Frank Gilford in "blood money" to persuade him to ask for clemency should the Saudi courts find Deborah Parry guilty of "intentional murder". Ms McLauchlan has already been found guilty of a lesser charge and sentenced to eight years in prison and 500 lashes.

The women claim false confessions - centering round a furious row over a broken lesbian relationship - were forced out of them. Their defence lawyer, Salah Hejailan, has made it a condition of the payment that Mr Gilford repeats to the court earlier assertions that his sister was not a lesbian. The two nurses claim no such relationship existed.

Mr Hejailan is also demanding that Mr Gilford joins the defence in calling for the release of all police evidence against the nurses. There is no provision for disclosure under Saudi law, but Mr Hejailan hopes a plea from the nurses and the victim's brother may result in at least the most basic information being released.

## INSIDE TODAY

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THE EYE  
Millionaire poets versus the dead variety

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## COLUMN ONE

### Net that walks the corridors of power

To conspiracy theorists, the British American Project was set up as a cleverly disguised front for the CIA. But as the new induction of BAP members indulge themselves in Swedish body massages and whirlpool baths at a luxury Scottish hotel next month, they know they are joining one of the most powerful networking vehicles in Tony Blair's Britain.

Peter Mandelson, the minister without portfolio will be there. So will Chris Smith, the Secretary of State for National Heritage, and Mo Mowlam, the Northern Ireland Secretary.

On other pages of the pocket-sized BAP register are contacts for George Robertson, the Secretary of State for Defence, and Liz Symons, now Baroness Symons of Vernham Dean and a Foreign Office minister.

The 500 individuals who make up the BAP expect to get direct access to other fellows. According to Jonathan Powell, Tony Blair's chief of staff in Downing Street, the BAP "takes the working out of networking". They are the men and women who have been identified as the future leaders of Britain and America, who meet once a year for four-day conferences.

The project was founded 12 years ago amid concern about future US isolationism in the face of anti-American feeling in Europe. It was launched partly with the aid of a \$425,000 grant from the Philadelphia-based Pew Memorial Trust, which is derived from the billion-dollar fortune of the Pew family, known for its Presbyterian and strongly Republican values as well as its philanthropy.

The right-wing credentials of some of those involved in the early stages of the BAP inspired rumours of CIA involvement.

The galvanising force who made this idea work and developed it into the potent force it is today was Nick Butler, who is now policy adviser to BP chief executive John Brown. Noting that the British Embassy in Washington recently funded a private reception for BAP fellows, Mr Butler modestly observed: "The network of contacts is quite strong." He now plans a European version of the BAP.

Although its list of British fellows appears at first like a roll-call of the Left Establishment, the BAP also includes a number of senior right-wing commentators and Tory politicians, with Lord Charrington being the head of the BAP advisory board.

Stephen Dorrell, the former Tory health secretary and a BAP fellow, said the project "performs an invaluable role in promoting contact and friendship between the United States and Great Britain."

But the importance of the BAP as a networking tool for New Labour has intensified with the recent arrival on the BAP committee of Julia Hobsbawm, of the Hobsbawm Macaulay PR company, which is closely allied to the party - her partner Sarah Macaulay is the girlfriend of the Chancellor, Gordon Brown.

Ms Hobsbawm has introduced a new dynamism to promoting the BAP and a number of companies have seen the value of providing funding to the project.

Camelot recently agreed to pay £10,000-a-year for three years towards the BAP's running costs, which are estimated at £150,000 a year. Other BAP sponsors include Cadbury Schweppes, Hanson, ICL, BP, British Airways and NatWest.

The American side of the project is widely-seen as more business-oriented, more right-of-centre than the British, and less linked to government. It includes senior Coca-Cola executives and software moguls as well as senators.

In all, 24 Britons and 24 Americans, are picked by a selection panel each year, from a pool of around 100 candidates nominated by past fellows, to become the new intake of delegates. The first conference is free and thereafter fellows pay for themselves.

This year's conference takes place at the Peebles Hydro, a luxury Scottish borders hotel. The BAP newsletter promises: "We will have the hotel to ourselves, so traditional BAP conviviality will be unrestrained."

— Ian Burrell

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## PEOPLE



### Scrabble champ finds means to an end

Proud of his pultoon, but aghast not to recognise an agami when he ran into one, Andrew Cook, 26, from Abingdon in Oxfordshire, won the British Scrabble championship yesterday, with a 3-0 win in the final over Jackie McLeod, a secretary from Highgate, north London.

Mr Cook (pictured above) is unusual among top class Scrabble players in that he knows the meanings of most of the curious words that appear on the board in his games. "Some just treat it as a strategy game," he said, "but I like to understand the words I use."

In the last game, for example, he would have been untroubled by aerobes (micro organisms that live on airborne oxygen), in the knowledge that his pultoon (Indian army word for a platoon) of punkas (cooling fans) could blow them away. It was another micro organism that brought about the downfall of former world Scrabble champion Mark Nymman in an early round. In a crucial game he added the letters - glea to zoo to form zooglea. That would have been fine in the World championships, when any word in Chambers or Webster's dictionaries is permissible, but in the British championships Chambers is the sole arbiter, and zooglea (a glutinous mass of bacteria) counted for nothing.

After qualifying for the semi final with nine wins from 13 games, Cook made only one slip on his way to the title, when he challenged the word "agami" - a bird allied to the crane. Apart from that, his qi (oriental life force), was untroubled and he romped to the championship.

— William Harston

### Gazza sets sights on the States

England and Glasgow Rangers footballer Paul Gascoigne may go to America to play out his career when he eventually quits the game in Britain, he said yesterday.

After that, he is considering taking a complete break for "a couple of years", before coaching youngsters. "They will play with a smile on their face and will pass and move, and if they don't enjoy it I will tell them not to bother because what is the point if you are not enjoying it at any level," said Gascoigne.

(right). If he was still enjoying football he would love to stay in Britain, he said in an interview with *Scotland on Sunday*. But he went on: "If I feel a bit down living in England... I might go over to America for a couple of years, enjoy my football over there..."

"Of all the things I regret... the biggest [is that] I took all my problems out on [his wife] Sheryl. I have to live with that." Now, he said, he was back in control and his home life was not a problem.



### Tourist unburdens herself of castle curse

A New Zealand tourist who stole a stone from a Welsh castle has air-mailed it back because she believes she had been cursed.

The woman, who gave her name only as Conway, sent a chunk of 700-year-old masonry from Conwy Castle in North Wales to the Royal Mail in a bid to lift a "jinx" that had descended since she took it. In her accompanying letter, she said had become fascinated by the "majestic ruin" of Conwy castle. "One of the enormous arches in the Great Hall had apparently recently fallen and its pieces had been stacked beneath it. I longed to have a piece of history to take home and 'liberate' the enclosed piece of masonry," she said.

But almost as soon as she left the castle, she was beset by bad luck. Flights to New Zealand were booked solid, and she had to wait for days at the airport. On arrival home, she suffered numerous health and relationship problems. "My savings have dried up, my car has broken down. My wages have been cut dramatically and workmates are far from matey now. It has become plain to me that to take some of Conwy from Conwy I have asked for some heavy trouble," she wrote.

"I entrust the rock to you - confident that once it is safely back in the castle it will settle down and leave me in peace."

— Jojo Moyes

## UPDATE

### LIFESTYLE

#### Young people hit by benefit cuts

Increasing numbers of young people are being made homeless as a result of benefit cuts introduced a year ago, the charity Shelter warns today.

The cuts limited payment of housing benefit to the value of a single room in a shared property. In some areas, young people faced shortfalls of over £20 a week between the local rent levels and what they could claim.

As a result, landlords are increasingly not prepared to rent to single people under the age of 25 and young people have suffered harassment and eviction as a result of the cuts. Some were pushed into the very worst accommodation available while others ended up on the street or homeless.

"The results make very depressing reading for anyone concerned with the welfare of young people particularly those who are extremely vulnerable," said Chris Holmes, director of Shelter. "They show that shared accommodation is often unsuitable for young people particularly 16- and 17-year-olds, teenagers with mental health problems and young people with HIV and Aids. It is clear that for many of these young people sharing accommodation is simply not appropriate, yet for many there is simply no option."

— Glenda Cooper, Social Affairs Correspondent

### HEALTH

#### Schoolbags carry risk of back pain

Heavy bags carried by secondary schoolchildren are contributing to a back pain epidemic, a new survey has shown.

As many as 80 per cent of children were carrying too much weight in poorly designed bags, according to interim results from a national survey carried out by the National Back Pain Association.

The discovery matches figures from the Department of Social Security which show that back pain sickness absence doubled in the 1970s and doubled again in the 80s before rising from 59 million days in 1988 to 117 million in 1996-97. It found 60 per cent of the population suffered back pain at some time while 30 per cent would go on to develop a chronic problem.

The NBPA study of 1,000 secondary schoolchildren across the country found that 92 per cent of pupils said their schools did not encourage bags to be carried evenly across both shoulders while 40 per cent of secondary schools did not provide lockers. In some cases bags of up to 25kg were reported, more than 60 per cent of bodyweight, with 11-12 year olds carrying more than 20 per cent of their bodyweight most at risk.

Experts believe that the weight limit before injury is 20 per cent of bodyweight, up to 30 per cent is considered potentially dangerous.

### SOCIETY

#### Parents trusted as drugs advisers

Parents have been named the best source of advice on drugs by schoolchildren, according to a report published today.

However, the survey by the Health Education Authority found television was named as the most common source of information, followed by newspapers and magazines, posters and friends.

More than 5,000 11 to 15-year-olds were questioned about where they find out about drugs, for the report to launch Drug Awareness Month.

The campaign is being backed by Blockbuster video shops which will be offering booklets on drugs and solvents, free loan of a BBC 999 Lifesavers Drug Education Video and showing in-store promotional videos.

HEA drugs campaign manager Hannah Cinnamon said: "Giving out a good range of high-quality information in easily accessible places is vital if we are going to raise awareness about the dangers of taking drugs... for without this there can be no meaningful dialogue about drugs at home."

#### TOURIST RATES

Australia (dollars)	2.13	Italy (lira)	2735
Austria (schillings)	19.51	Japan (yen)	194.04
Belgium (francs)	57.35	Malta (lira)	0.60
Canada (\$)	2.15	Netherlands (guilders)	3.12
Cyprus (pounds)	0.81	Norway (kroner)	11.229
Denmark (kroner)	10.63	Portugal (escudos)	281.45
France (francs)	9.33	Spain (pesetas)	234.24
Germany (marks)	2.78	Sweden (kroner)	12.01
Greece (drachmas)	441.84	Switzerland (francs)	2.28
Hong Kong (\$)	12.08	Turkey (lira)	2679.19
Ireland (punts)	1.07	USA (\$)	1.57

Source: Thomas Cook

### Nobel poet

#### casts vote

#### for her

#### successor

Polish poet Wislawa Szymborska, the winner of last year's Nobel literature prize, said she would like to see Peruvian novelist Mario Vargas Llosa to succeed her.

"Llosa is the one I would most eagerly send a congratulatory letter to," Szymborska told a literary gathering in Krakow. "According to an unwritten tradition, last year I received a letter of congratulations from my predecessor, Seamus Heaney. Now it's my turn to send such a letter."

Llosa, an essayist and author of 25 novels, is one of the most widely-read Latin American writers. He has been living abroad, in Spain and England, since an unsuccessful 1990 bid for Peru's presidency. Although he has forsaken politics as such, Llosa believes writers should not only produce "pure light entertainment" but also be involved in public affairs. "Literature should arouse concern, warn of danger and inspire action for a good cause," he said when he received last year's German Peace Prize.

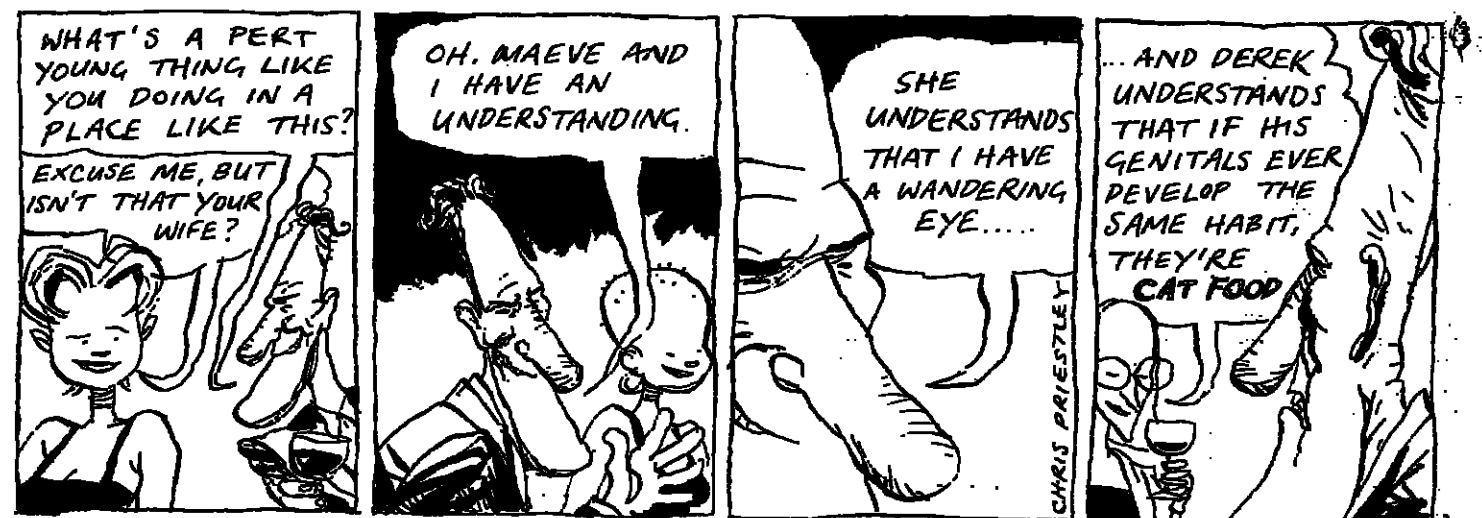
Among Llosa's best-known novels are *The War at the End of the World*, devoted to a 19th-century Brazilian peasants' revolt, and *Aunt Julia and the Scriptwriter*, a satire on Latin America's popular soap operas.

This year the annual Nobel literature prize, whose winner is expected to be announced shortly, is worth £625,000. This year's contenders include Cees Noteboom, from the Netherlands, Belgian Hugo Claus and Jose Saramago of Portugal.

— Reuters

7.30 FOR 8

by Chris Priestley



ZITS

by Jerry Scott & Jim Borgman



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# Soames linked to manufacturer of Gulf war drug

EXCLUSIVE

Nicholas Soames, the former armed forces minister, was a director of a chemicals company which developed a drug given to British troops at the outbreak of the Gulf war.

Jon Burrell says that doctors now believe the drug contributed to Gulf war syndrome, the inquiry into which was overseen by Mr Soames.

Grandson of Sir Winston Churchill and Minister for the Armed Forces, Nicholas Soames stood up in the House of Commons last December and apologised for misleading Parliament.

He admitted he had understated the degree to which British troops were exposed to chemicals in the Gulf war and blamed the error on his civil servants.

"The evident failures in providing proper and timely advice to ministers are a matter of serious concern," he said. The Government, Mr Soames assured the House, had "nothing to hide".

Yet there was one intriguing piece of information which the minister did not reveal to the House or indeed to the Commons Select Committee on Defence, which was demanding answers on the causes of an illness that has affected thousands of British troops.

At the time of the outbreak of the war, Mr Soames was a non-executive director of the Hertfordshire-based company, Hoffman La Roche (UK), the British arm of the Swiss chemicals giant.

The company had developed the use of pyridostigmine bromide as a safe treatment for the rare nerve disorder myasthenia gravis. Army medical chiefs were convinced that it could be used to protect the central nervous system from attacks by chemical weapons.

Hoffman La Roche supplied pyridostigmine bromide to the Dutch company Solvay Duphar which turned it into tablets for Nato. Although the drug had never been licensed for use on healthy

people, or in the doses proposed, British and American troops were told to take what became known as "Naps" (Nerve Agent Pre-treatment) tablets every eight hours. Doctors who have researched Gulf war syndrome believe that the tablets, safe in their own right, inter-reacted with the cocktail of vaccines, pesticide sprays and possibly chemical warfare agents that the troops were exposed to.

The veterans reported chronic fatigue, memory loss, and breakdowns in their immune systems. Dozens have died.

None of which could have been predicted back in 1991 after the apparently successful conclusion to the war. Mr Soames entered his directorship in the Register of Members' Interests. The company, now called Roche Products Ltd, said Mr Soames had been a non-executive director from 1988 until 1992 when the MP was appointed a parliamentary secretary at the Ministry of Agriculture and was obliged to give up his directorships. He was appointed armed forces minister in 1994.

In August 1993, pyridostigmine bromide was finally licensed for use on healthy people as a protection against chemical weapons. It was only around that time that the notion that Allied troops had emerged relatively unscathed from Operation Desert Storm began to be revealed as a fallacy and doctors began to accept that something was seriously wrong with the health of many veterans.

Goran Jamal, a neurophysiologist at Glasgow University, who has carried out extensive testing on the causes of Gulf illnesses, said: "I am certain that pyridostigmine bromide played an important role."

Richard Barr, a Norfolk solicitor representing hundreds of sick veterans, said: "The tablets were being blamed for playing a part in these illnesses from very early on. Mr Soames should have known they were developed by Roche and he should have made clear to the Commons select committee that he had an interest in one of the manufacturers of one of the prime suspects for Gulf war illness."

Mr Soames said that he was not aware that Roche made pyridostigmine bromide. "I had no idea it was even made by Roche," he said. "Plainly if I had I would have declared an interest."



Unbreakable confidence: Susan and Garry Woodward are convinced of their daughter Louise's innocence

Photograph: Jim Bourg/Reuters

## Murder case girl parents put faith in her innocence

Nine months after her arrest on charges of first-degree murder for the death of small boy in her care, 19-year-old British nanny Louise Woodward faces trial in Boston today. In an interview with David Usborne, Louise's parents expose the depths of their agony as they wait for justice.

Amidst the raw dread painted so clearly on their faces, Susan and Garry Woodward at least have this rock-solid certainty to cling on to: the charges laid against their teenage daughter, which could send her into a prison in the United States for the rest of her life are false. Unimaginably. Stupid, even. That Louise could have killed nine-month-old Matthew Eappen, or any child, is simply not conceivable.

In that, they have unbreakable confidence and they are joined by it. In all else,

however, they are two people bereft of faith. Their doubts are manifold: in the fairness of the court proceedings before them, in their daughter's ability to heal herself even if she is acquitted, even in their hands as husband and wife. For Mr Woodward, his faith in God is imperilled also.

About some things, the couple, who have just come from Sunday service in Trinity Church, Boston, prefer not to talk. Of their success in bringing together a defence team which includes Barry Scheck, a member of OJ Simpson's "dream team" - or how they are paying for it - they remain silent. Questioned about the mother and father of Matthew, they simply choke.

For the Woodwards, their tragedy began on 6 February, when, at 6.30am, the nanny agency that had placed Louise with the Eappen family in Boston during her gap year before university, telephoned the Woodwards' home in the village of Elton, near Chester. "Somebody from the agency told us that there was a problem and that the baby had been taken to hospital and that the police were asking some questions."

I was just baffled, I didn't know what was happening," Mrs Woodward explained.

The bafflement turned to petrification - their term - when they saw their daughter being bundled into a police van in Boston on the six o'clock news the same evening. Louise was being accused of shaking Matthew in the bathroom of the Eappen house and slamming his head against a hard surface. At the time, the infant was in hospital, but he died five days later. Initial charges of manslaughter were instantly upgraded to first-degree murder. By the time Mr Woodward got to Boston the next day, Louise had undergone more questioning - with no contact with her parents or any lawyers. He was allowed to see her for the first time that night on 7 February.

Mrs Woodward, especially, is careful before attacking the judicial system that has swallowed her daughter. But the last few months, she explained, have delivered one knock after another. First, there was the refusal of the court to grant Louise bail. "The prosecution said that she would flee the country and go to Brazil. It was ridiculous."

The Woodwards have other reasons for anger. Why has the court refused to admit as evidence the results of a lie detector test taken by Louise in May which she passed? Why has the prosecution put Mrs Woodward on its list of potential witnesses, meaning she will not be able to visit Louise during the trial, or even be in court?

Above all, they are angered by the court's refusal a week ago to dismiss the case following revelations that some of the brain tissue taken at the autopsy of Matthew has since been lost. "You have to wonder what other things we don't know about," Mrs Woodward noted.

As a couple, they are managing only to "function, with our lives in a vacuum". Mr Woodward said. It is he who nearly breaks down in tears when we discuss the church service they have just left. "It is difficult to keep my faith," he conceded, hands together, pressed against his face.

But for both the Woodwards there was this one sign of hope in the service. "Make me a Channel of Thy Peace," was sung as one of the hymns. It is Louise's favourite.

## Blair to raise case of forgotten Chechen hostages with Yeltsin

Between appearing in a soap opera, strolling in Red Square, and riding the Moscow metro, Tony Blair has some difficult business on his one-day visit to Russia today. Phil Reeves in Moscow says he should press the cause of two Britons being held hostage in Chechnya.



Mr Blair arriving in Moscow last night Photograph: Reuters

Diplomatic sources acknowledge that the Foreign Office has made scant progress in its efforts to free Camilla Carr and Jon James since they were abducted three months ago in Grozny, where they were providing aid to children traumatised by the 21-month war.

The Prime Minister will raise the case with the Russian leadership in the hope they can bring pressure on the Chechen authorities to step up their efforts to track down and free the couple. His visit includes meetings with Boris Yeltsin and the top three ministers.

Even so, the chances of success are limited. The relationship between Moscow and Grozny has become increasingly strained recently, marred by haggling over an oil deal and continuing disagreements over the republic's desire for complete independence. Mr James and Ms Carr, from Ross-on-Wye in Herefordshire, were seized by masked gunmen in Grozny, where they had arrived several

months earlier to work as volunteers in the Centre for Peace-making and Community Development. Little information about them or their abductors has emerged; there has been no confirmed ransom demand.

Among the many difficulties facing British diplomats working on the case is the danger of visiting Chechnya, which has become almost a no-go area for outsiders following a rash of abductions in which scores of Russians and a handful of westerners have been seized. Efforts to raise the issue directly with

the Chechen leadership have so far proved fruitless, when Foreign Office officials questioned a Chechen minister, who was visiting Moscow, he appeared to know little about the case. The Foreign Office has adopted a policy of discouraging publicity over the abductions, arguing that it could escalate ransom demands.

Diplomats concede that it is doubtful that the kidnappers have wide access to western media. Moreover, the Foreign Office also has an official policy of refusing to pay ransoms, no mat-

ter how high or low. And in the past Chechen kidnappers have demanded huge sums of money in cases which have barely made the headlines. By hushing up the issue the Foreign Office has prevented the growth of public pressure for action - on the Russians, on Whitehall, and on the Chechens.

Mr Blair has other issues to attend to during his visit. He will meet Boris Yeltsin later today for discussions that are expected to include a British-Russian agreement to co-operate in the fight against international crime, to Nato expansion and British investment in Russia.

He will also press for the return of diaries and documents belonging to the British prisoners-of-war that were shipped to the Soviet Union along with other Nazi trophies after the war. Britain wants the originals; Moscow is offering copies.

But, for the average Russian the visit offers a highlight far more gripping than anything emanating from the Kremlin: a cameo performance by Mr Blair in a Russian radio soap. Playing himself, the Prime Minister will step out of a limo and pick up some shopping dropped by one of the leading characters. The show, which has 3 million listeners, began five years ago with financial help from Britain.

The stunt is, of course, to promote Mr Blair's trip to Russia. Doubtless, his spin doctors also hope that it will help remove the prevailing impression among some Russians that Britain is still led by Margaret Thatcher.

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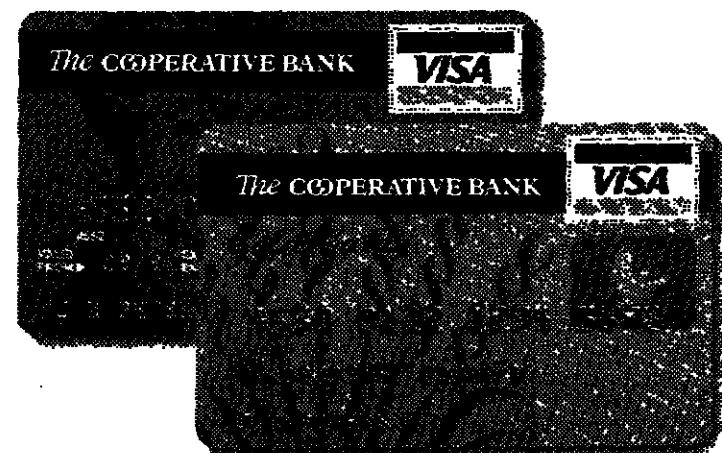
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## Ratings plan for Internet sparks censorship fears

Can the Internet be tamed? An international coalition wants to introduce "ratings" for Web sites, so that parents can choose what their children can access. Charles Arthur, Science Editor, looks at the arguments over censorship.

The sprawling growth of the Internet, a place where good, bad, and repulsive sites can sit cheek by jowl, may be under threat from impatient lawmakers in the United States - who, in their desire to "protect children" from unsuitable material, may end up destroying a global information resource.

An international coalition of non-governmental organisations has been trying for months to devise a workable "ratings" system that could be used by parents in a wide range of cultures to prevent their children from accessing unsuitable material on the global network. They met last week for two days to try to thrash out the key issues.

But while the European side of the coalition, represented by the Internet Watch Foundation based in Cambridge, reckons that it will take at least 18 months to develop a workable pairing of a ratings system and software that can interpret it, the US partners and software companies have privately said that they have, at most, nine months before the US demands mandatory ratings legislation. "We're not all fully in agreement," said David Kerr, the chief executive of Internet Watch. "I said at the meeting that in order to go through the necessary consultation in the various countries, you couldn't achieve it in less than 18 months. But the US side is under a lot of pressure to get it developed as soon as possible."

The ratings would be a two-sided system, in which every site that wanted to be voluntarily compared itself against a set list of criteria, on a scale of 1 to 5, for elements such as the amount of sex, violence, nudity and strong language on the site. Other elements, including "intolerance" - for racial items - and "dan-

gerous activities" including cigarettes and alcohol but also sports and suicide methods, might also be offered.

The site's owner would rate the site against those criteria, and then include that rating on the site. "We want the ratings to be as free of cultural judgement as possible," said Mr Kerr.

At the child's computer, software in the browser would read the ratings and compare it against criteria set by the parents. Alternatively, some companies might develop ready-made "profiles" for parents to use - so that Catholic parents could feel sure their child would not see anything they found offensive.

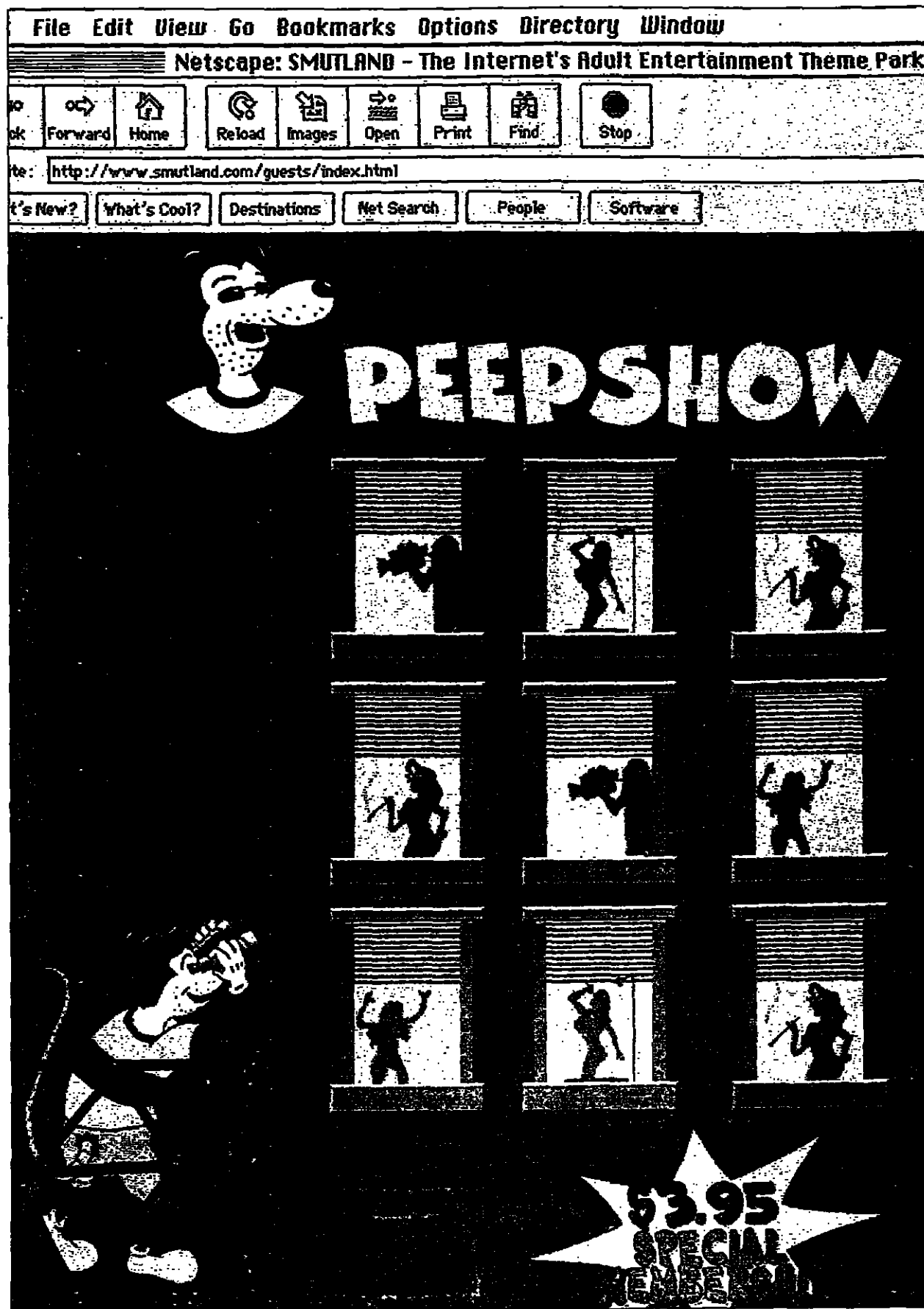
The self-rating system though has not proved popular. Of the tens of millions of sites on the Web, 45,000 have rated themselves. In January, the figure was 30,000. In the same time, the total number of Web sites is reckoned to have doubled.

Perversely, legislation which insists that every site must be rated for its suitability could bring the rapid growth of the Net to a shuddering halt. It would discourage people from putting new sites up, and might have unpredictable cultural effects. Some sites - such as "news" sites, which are proliferating - are effectively unratable: would a racial war in Ethiopia, or another rail crash, be judged too intolerant or violent?

In the summer, a number of US Internet news sites broke off negotiations with the US side of the coalition on exactly this point. Mr Kerr hopes that some compromise can be reached. The signs though are not promising.

Ready-made solutions are not encouraging either. While there are a number of "filtering" software packages written by American companies, the differences even between US and British cultures means they tend to block access to sites which British schoolchildren could find useful - including many with information about drinking, cigarettes and Aids.

Mr Kerr recognises the problems, but fears that US legislators may prove implacable. "If it doesn't happen in a reasonable period, then the hawks and doves will be back on the legislative path in Washington," he said.



Sneak preview: An introductory page showing free images of what is on offer to people accessing an Internet porn site

## Firm scans its future in 3D

A British technology company has registered Tricorder as a trademark for an innovative 3D scanning device. It measures and records objects - people included - in three dimensions, and can transfer the information into files capable of being used on a personal computer.

Its makers say it will bring scanning technology to the mass market, just as PCs took computers out of the hands of scientists. They predict it will have lots of uses on the Internet, for example, for creating innovative advertisements.

"Instead of looking at a flat, two-dimensional picture of some garden furniture in an advert on the Web, you will be able to download a fully interactive, full colour, three-dimensional picture of it," said Guy Fowler, the firm's chief executive. "That means you will be able to turn it around, see it from all kinds of angles and see how it might fit into your garden."

The technology has existed for a while, but at the moment is restricted to large, expensive machines. The Tricorder, say the makers, is the first truly portable version. The problem in creating it was that to measure an object, the measuring device needs to know where in space it is.

The Tricorder uses nanotechnology - the science of exceedingly small machines - to create a tiny gyroscope inside the Tricorder, so that it can keep track of its own position relative to the object it is scanning. Then it uses a laser beam, like that used in a CD player, to look at the surface of the object. If the beam reflects back to a sensor as a straight line, it knows the surface is flat. If the line is distorted, the Tricorder calculates the object's shape from the distortion.

There are no limits to the size of object it can measure except the computer memory available to store the data. The company says it wants to take advantage of expected changes to computers and the Internet which will mean greater use of 3D images. "Parts of the Internet are 3D already," said Mr Fowler. "This is something that is going to expand, and the Tricorder technology is particularly well suited to that."

The device is still undergoing tests but is expected to be released as a professional product, costing thousands of pounds, next year. Cheaper versions aimed at home users will follow shortly afterwards.

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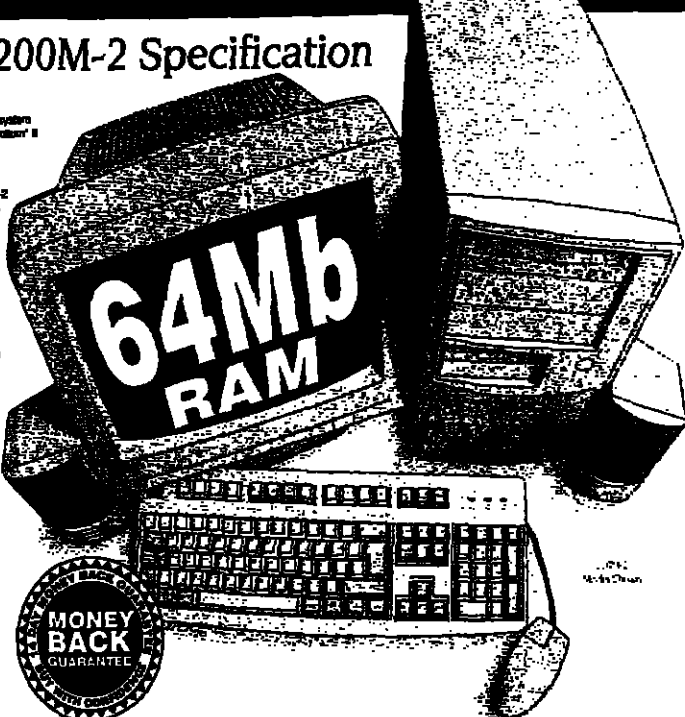
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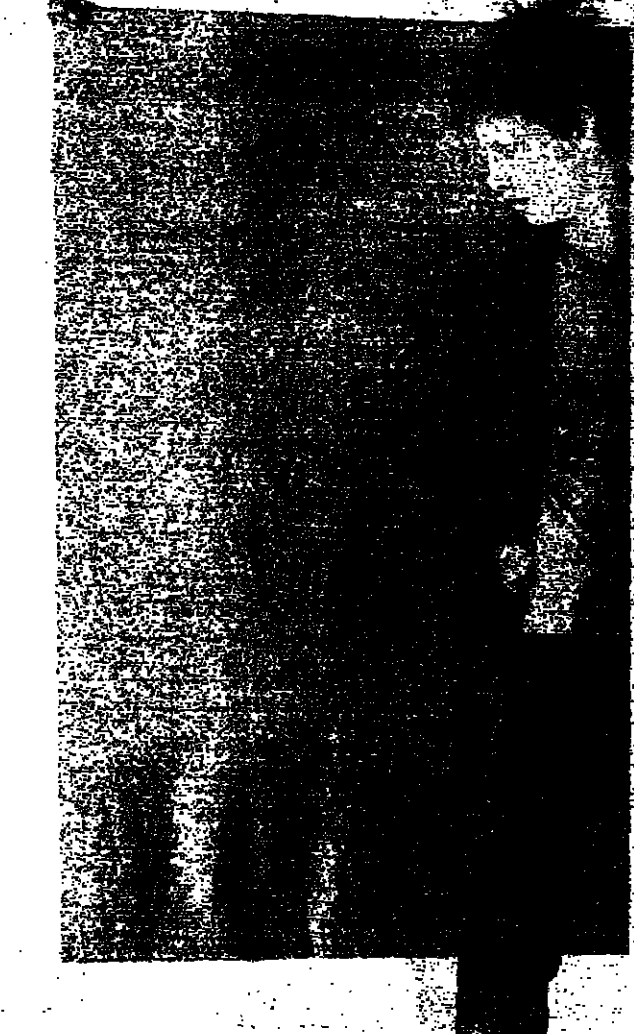
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## Hague's allies defend him against dissent in the ranks

William Hague faced new allegations of weak leadership yesterday as the Conservative Party prepared for the annual conference in Blackpool. While some of his allies argue that time will prove him a strong leader, others are becoming restless. *From Abrams, Political Correspondent, tested the mood of the Tories.*

Senior Conservatives publicly acknowledged the enormity of the task they faced in getting their party re-elected yesterday amid new outbreaks of dissent.

They came to the defence of William Hague after the former Home office minister Ann Widdecombe cast doubt on the value of a recent endorsement ballot for the party leader and his reforms and senior Scottish Tories were reported to have attacked his choice of advisers.

There had been suggestions that Mr Hague had watered down plans to give members a greater say in leadership elections. A report yesterday said that he would present a paper to the party conference on the subject without spelling out what

changes he proposed. It is believed that Mr Hague has decided to require associations to select by-election candidates from an approved list. There has also been a suggestion that at least 25 per cent of candidates interviewed for vacant seats should be women.

A new governing body, "the board", could be set up and would be elected by a national convention made up of association chairmen.

The Scottish party is also likely to see reforms which give it greater autonomy from the Smith Square headquarters in London. Full details will be discussed at a one-day conference in the new year, but they are thought to include a major recruitment drive, separate policy groups and disciplinary procedures for Scotland and greater financial freedom.

Party sources dismissed reports yesterday that senior Scottish Tories had told Mr Hague to ditch key aides such as Sebastian Coe, the former Olympic runner, Alan Duncan, MP for Melton and Rutland, and Gregor McKay, his press secretary. "William Hague is the leader. He takes the decisions," a spokesman said.

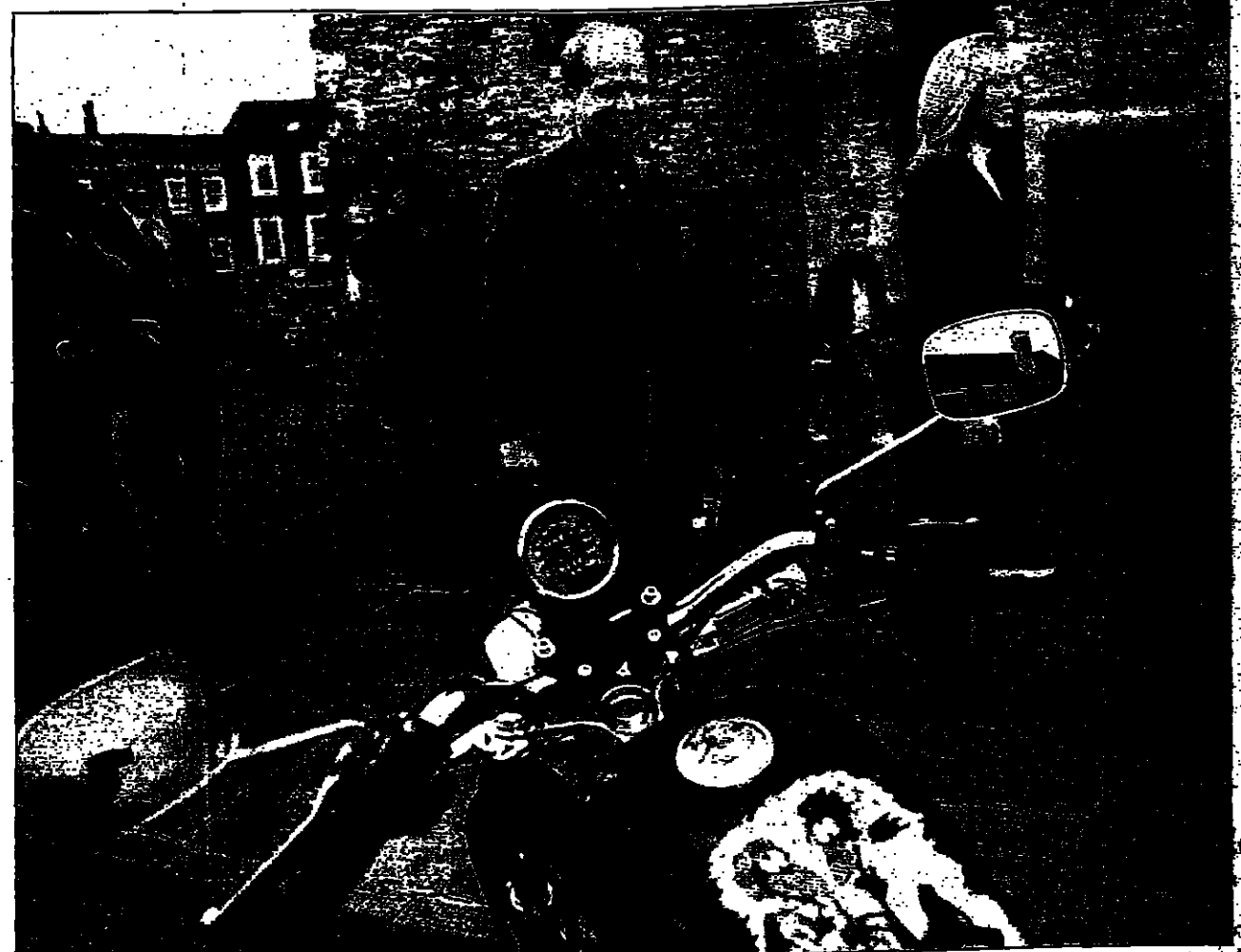
Peter Lilley, the shadow Chancellor, said in a television interview that the Tories had suffered "a very traumatic defeat indeed",

adding that they had a major job to do in persuading voters that they had learnt from their mistakes and in winning back trust.

The party chairman, Lord Parkinson, insisted that a radical democratisation was under way. For the first time, the Tories would be one party instead of a series of constituency organisations. "We are going to a single party, people are going to have a greater say, the rank and file, in that organisation," Lord Parkinson said on BBC Radio 4's *The World This Weekend* programme.

However, there were murmurings that all was not well. Ms Widdecombe criticised the decision to ask members simultaneously to endorse both Mr Hague and his reforms. "I think you should always avoid the appearance of manipulating. Even when you're not manipulating, you should avoid the appearance of doing so," she said on BBC1's *On the Record*.

Her view was supported by Richard Shepherd, the MP for Aldridge-Brownhills, who added that he feared the Tories were rushing into Blair-style reforms. "We are still in a state of shock after the most catastrophic defeat of this century and therefore I don't want us to leap to duplicate sort of reforms that are the essence of the Labour Party," he said.



William Hague and his fiancée, Ffion Jenkins, in Richmond, North Yorkshire, yesterday

Photograph: John Angerson

## Conservatives urged to win back lost youth or face extinction

The Tory leadership is so out of touch with young people that it thinks Jeffrey Archer and Andrew Lloyd-Webber speak for Britain's youth, according to four of the party's brightest brains. *From Abrams looks at predictions that the Tories could disappear altogether if they do not modernise.*

The Conservative Party is literally dying on its feet. On current trends, it will cease to exist before the next election, according to a new report published by the Centre for Policy Studies.

The party has been losing an average of 64,000 members a year since the war, say the authors of the optimistically-titled

*Blue Skies Ahead*. They believe membership could now be as low as 200,000, down from 400,000 in 1994. Almost eight out of 10 members are over 45, and a quarter of them will die before the next election. Many more will become disillusioned and leave.

The report is written by Andrew Reid, a former chairman of Conservative Students. Andrew Honnor, 26, a former special adviser to Virginia Bottomley, James Bethell, 30, media director of the Ministry of Sound nightclub and Simon Brocklebank-Fowler, 36, who at 30 was the youngest ever finance chairman of Westminster City Council.

They say that with 3,000 members, the Young Conservatives are now more exclusive than Annabel's, the Berkeley Square nightclub frequented by Sloanes and glitterati. In 1949, there were 160,000 in the organisation, they say.

The Ministry of Sound, a somewhat trendier club in south London with 193,000 members, can almost boast as high a popularity rating as the entire Tory party.

If the party does not find a way to win back the "missing generation" of 18-45 year-olds, it cannot survive, they add.

"The majority of the Conservative Party's members are old and out of touch... the party must recognise that Jeffrey Archer and Andrew Lloyd-Webber are not role models for today's youth."

John Major's vision of Britain as the country of warm beer and old maids bicycling to church also failed to hit the mark.

"If the chief executive of a public company presented this as its mission statement, s/he would suffer a Gerald Ratner-like nemesis. As John Major did," they say.

The market towns, big cities

and centres of academic excellence all voted Labour at the general election. "The Conservative Parliamentary Party has all but ceased to exist in any region in the UK which produces things, money or ideas."

The profile of the average Tory is closer to that of someone living in Edwardian Britain than in the 1990s, they add. Seven out of 10 members are Anglicans in a country where only a fifth of babies are baptised in the established church, the average age is 64 and only 1 per cent is non-white.

The party must become a much more efficient machine if it wants to win them back, it says. Young people must once again associate the Tory party with glamour and frivolity.

"A generation ago the benefits to the young of membership of the Conservative Party were widely understood: a leg-up for the ambitious, a leg-over for the amorous," it concludes.

## Labour aims to steal Tory limelight

Ministers are planning a hectic round of high-profile announcements in an attempt to overshadow the Conservative Party's annual conference in Blackpool this week.

In a move which mirrors tactics more likely to have been used by the Tories against Labour in the past, a wave of official visits and launches will accompany the Opposition's seaside jamboree.

The highlight of the week for Tony Blair will come tomorrow, with the much-hyped announcement of £100m extra cash towards the installation of a network of computers in schools. Coincidentally, tomorrow is the day

on which the Tory faithful will open their conference and hear the results of their ballot on William Hague's leadership and on party reform.

Mr Blair will announce the extra cash as he holds a meeting at Downing Street with the Microsoft boss, Bill Gates. Mr Gates has not yet promised to get involved with the scheme to connect 32,000 schools to the latest computer technology, but the clever money says he very soon will do. David Blunkett, Margaret Beckett and Gordon Brown are also expected to be present at the meeting.

Also tomorrow Frank Dobson, Secretary of State for

Health, will give an address to the public sector union, Unison.

On Wednesday, as the Conservatives hold their big debate on the future of the party and its internal reforms, there is a plan to launch a new charter for the National Health Service. The same day will see the results of a consultation on the Government's education White Paper, and the announcement of new measures to combat cheating in national curriculum tests.

On Thursday, as the Tories talk about crime and the economy, a further consultation will be launched on the future of A-Levels.

Friday will see the highlight

of the Tories' week in Blackpool, as William Hague gives his first address to the party faithful as leader. On the same day, Mr Blair will fly out to Luxembourg en route to a Council of Europe summit in Strasbourg on Saturday.

All this simply constitutes business as usual, of course. Given the hectic pace of life under new Labour, some might even say that it will not be a particularly busy week.

"Because of the Conservative Party conference happening this week, I shouldn't think we will be doing too many announcements," a Downing Street spokeswoman said.

## Alternative vote is option in electoral reform

Tony Blair's closest advisers are investigating voting reforms which could drastically reduce the Conservatives' seats in Parliament. Downing Street confirmed last night.

Although claims in a Sunday newspaper that Mr Blair was about to adopt the change were dismissed by all concerned, a spokeswoman said the No 10 policy unit had looked at the "alternative vote" (AV) system. Ministers have already confirmed that an electoral commission to be announced this month will consider it along with other options.

Under the AV system, voters write down their first, second and third choices of candidate. Second and third choices are then reallocated until one candidate has more than 50 per cent of the vote.

If the government does decide on this system, the decision would be highly controversial. Labour's manifesto promises "a

proportional alternative" to first-past-the-post voting, and Mr Blair is on record as saying AV is not a proportional system.

One study has suggested that if this year's 1 May election had taken place under AV, Labour would have won 452 seats instead of 418, the Liberal Democrats 90 instead of 46 and the Conservatives just 88 instead of 165.

The Liberal Democrats, who will have seats on the new electoral commission, would be very much against this system. They say they want election results to give a truer reflection of the way people vote. The party's leader, Paddy Ashdown, described yesterday's rumours as "kite-flying", possibly by a member of the Cabinet. Interviewed on breakfast television, he said he would be "amazed" if Mr Blair had really made up his mind before the commission was even appointed. "I may relish the fact

that the Conservatives would be damaged by this, but I want a system for the country which is fair," he said.

A Downing Street spokeswoman said Mr Blair was still "not persuaded" of the case for proportional representation (PR), despite the manifesto commitment.

The AV system would also be controversial within the Labour Party. Although Jack

Straw, the Home Secretary, has said that if there were to be voting reform he would prefer this kind, others who favour PR are not convinced. Many would prefer the system being introduced for the Scottish and Welsh parliaments, with members elected through first past the post sitting alongside a smaller number selected proportionally from party lists.

— *From Abrams*

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## Wildlife trust fights to raise funds to buy Cornish wood that's home to rare bat



Wildlife campaigners are fighting to save a wood that is home to one of Britain's rarest bat species. Members of Cornwall Wildlife Trust are hoping to secure a safe future for Pridesaux Wood, near St Blazey, in Cornwall, one of only 12 known British breeding sites for the endangered greater horseshoe bat.

The Cornwall Wildlife Trust has received £68,000 in grant aid towards buying the 60-acre site as a nature reserve, but this funding depends on the remaining £5,000 of the purchase price being raised locally.

Senior conservation officer Christopher Howe warns of the consequences if the trust's appeal fails: "If a commercial buyer is able to purchase the wood, the bats are unlikely to survive. The timber crop that was planted in the Sixties is now ready for harvesting. Even felling just a few trees could be disastrous for the bats, as they use the positions of the trees to navigate." The trust aims to enhance the woodland for other wildlife, link it to the neighbouring Luxulyan Valley and open it up

for local people to walk in. This would involve creating footpaths and making exposed mine workings safe.

Fund-raising officer Paul Horak hopes that Pridesaux Wood and its rare bats will enjoy the same good fortune as Chun Downs in Penwith, which was the subject of another recent appeal. "Like Chun Downs, Pridesaux is a delightful habitat and a prominent local feature. The amazing response to our Chun appeal allowed us to safeguard an important site and at the same time demonstrated that people in Cornwall have a very deep concern for their unique environment."

At the start of the century there were probably more than 10,000 greater horseshoe bats in Britain, but today there are no more than a few hundred. Loss of habitat is the main reason for their disappearance, but they are also sensitive to disturbance. The bat - one of Britain's largest species, the size of a small pear - can be distinguished from other species by the complex horseshoe-shaped nose-leaf related to the echo location system.



Endangered: Greater horseshoe bat

Pridesaux Wood, near St Blazey. The trust has £68,000 towards the price of the wood but needs another £5,000

## Smog levels in London top those in Paris

Smogs worse than the one in Paris last week have engulfed British cities in the 1990s and are likely to do so again. Nicholas Schoon, Environment Correspondent, asks why Britain has never taken emergency measures seen in France

The media took it for granted that the foul air conditions in the French capital could never occur in British cities. But in December 1994 London experienced levels of nitrogen dioxide, a key smog pollutant, just as high as those in France, according to data in the Government's air quality archive.

That smog passed almost unnoticed - and not for the first time. The highest nitrogen dioxide level recorded in Britain was over twice the peak concentration in Paris last week. That was in December 1991, when London was smothered in highly polluted air for days of still, freezing weather.

These dirty air episodes are not confined to the capital. The archive, available on the Internet, reveals that in the past four years Birmingham, Sheffield, Newcastle, Cardiff and especially Manchester have at least once experienced nitrogen levels higher than 400 micrograms per cubic metre of air - the level which triggered the Paris car clampdown.

Such smogs happen when the air is exceptionally still, allowing the pollutants - of which traffic is now the single most important source - to accumulate in the lower atmosphere. In Britain the worst city smogs have occurred in winter.

In Paris half the city's cars - those with even numbered licence plates - were ordered off the road, while public transport became free. In Britain, central and local Government would shudder at the prospect of sud-

denly doing this. Who would foot the bill when so much public transport is privatised?

In theory, councils have emergency powers to shut major roads when pollution reaches health-threatening levels. They have never been used. London lacks the city-wide governing body or mayor needed to tackle the problem. The Government plans to change that, provided Londoners support the idea in a referendum.

The Government is also implementing an air quality strategy devised by its Tory predecessors. Local councils are being asked to team up with their neighbours and draw up strategies to reduce pollution levels in the worst affected cities and regions. But the British approach is to try to ensure pollutants never hit levels high enough to require drastic action to get cars off the road.

Air quality should be improving through the 1990s with the spread of the catalytic converter in cars. In fact, it shows little sign of getting any better as yet. While the average car may produce fewer emissions, there are more cars.

What was probably Britain's worst ever smog occurred in early December 1952. This "pea-souper" lasted for most of a week, and the murky, wet air was made so acidic by sulphur dioxide that it dissolved nylon stockings. It also seems to have affected sperm production in men for a few weeks, because just over nine months later the ratio of female to male births was shifted, briefly but firmly, towards girl babies.

Epidemiologists also noticed a sharp increase in the death rate at the time. The smog is estimated to have killed nearly 4,000 people through heart and lung disease.

Today's smogs still take lives and cause illness, but they are not as lethal. In the 1950s the major contributor to the pollution was coal, burnt in millions of households, rather than traffic.

## Africa's geranium-loving butterfly found in Sussex garden

The discovery of a common South African butterfly breeding in an East Sussex garden has excited wildlife experts.

Europe's largest insect charity, Butterfly Conservation, is keen to hear of any other sightings of the Geranium Bronze and monitor its introduction to Britain. John Holloway, a member from Lewes, recently spotted more than half a dozen of the dark-brown and bronze African butterflies in his garden.

Large numbers of eggs have been laid on cultivated geranium plants - the butterfly's caterpillar food plant in South Africa. It is believed the geranium plants and the butterfly were imported from the Netherlands.

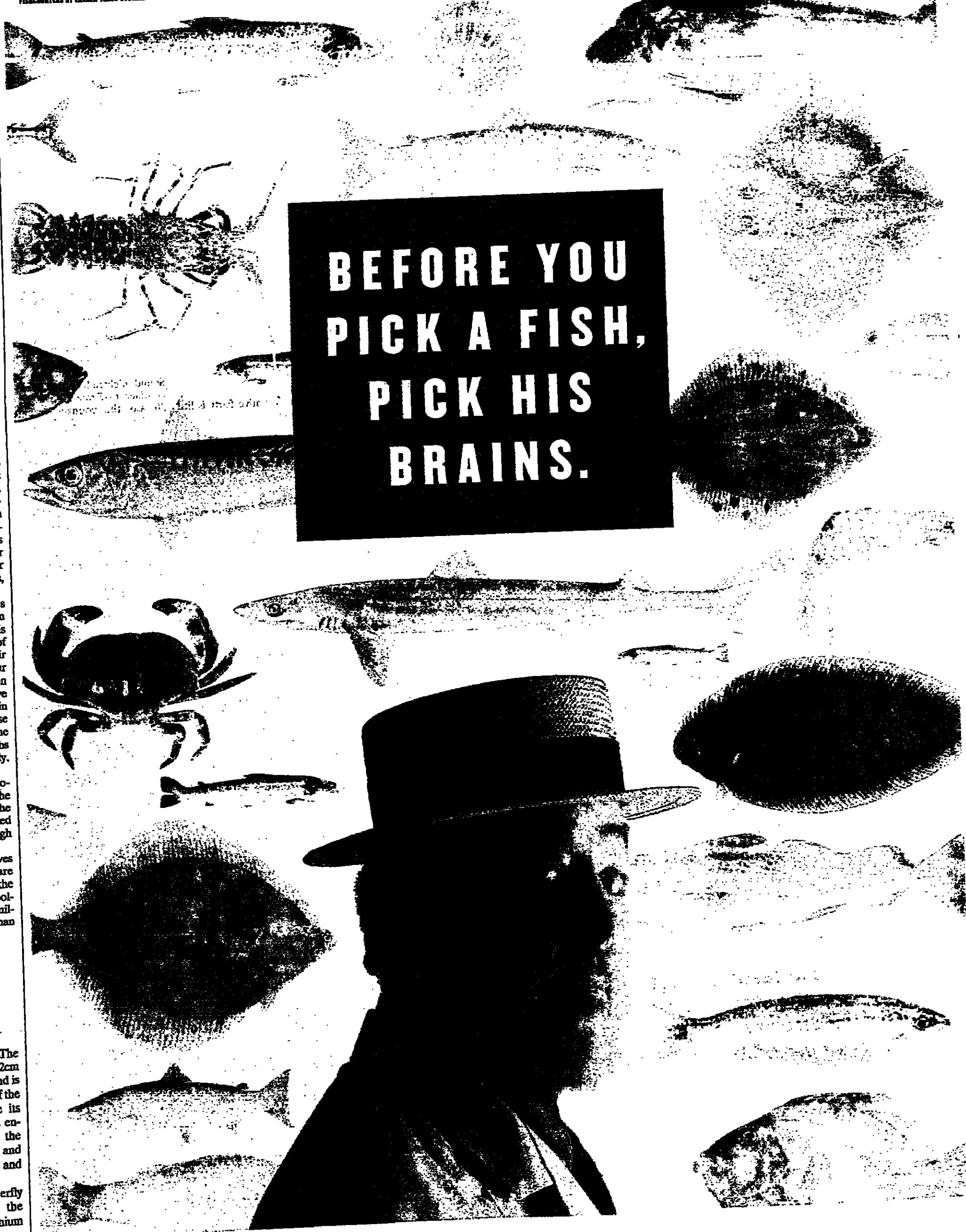
It is the first record of the Geranium Bronze breeding in Britain, although it bred in the

Balearic Islands in 1989. The tiny butterfly, which has a 2cm wingspan, is a slow flier and is usually found only south of the equator. Experts believe its European introduction is entirely man-made, due to the popularity of geraniums and pelargoniums as garden and window-box flowers.

Gary Roberts, of Butterfly Conservation, said: "In the Balearic Islands the Geranium Bronze has reached pest proportions because it has no natural predators there. The caterpillars bore into the stems of geraniums thus causing that part of the plant to die."

The chances of the butterfly surviving a British winter is remote. Geranium plants cannot tolerate British winters and need to be kept in heated glasshouses.

PHOTOGRAPHS BY LARSEN TERRY STONES



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## Health fears over head lice shampoo for children

A shampoo to combat head lice which is widely used on children contains dangerous chemicals that could be absorbed through the scalp into the blood stream and cause damage to the nervous system, experts have warned.

But, as Kim Sengupta discovers, at least 50 health authorities continue to recommend the use of malathion in some form.

More than a million bottles of shampoo containing the organophosphate malathion are sold by pharmacists every year. They are being used to control a head-lice infection sweeping through schools in Britain. Yet new research claims its repeated use can be highly dangerous, and may cause damage to the nervous system.

Organophosphates (OPs) were developed by the Nazis as a weapon and later used as agricultural pesticides. Over-exposure to the chemicals have been linked to potentially serious illness including nerve damage, birth defects, and cancer. Tests carried out at the Government's

Health and Safety Laboratories in Sheffield showed the amount of OP absorbed by anyone using malathion shampoo was five to ten times higher than safety limits. Dr Kerr Wilson, at the laboratory, said that if similar levels had been found on pesticide workers, "we would alert our colleagues in the health and safety executive to this finding, and they would take appropriate action".

Granada TV's *World in Action* programme, which is to broadcast the research findings on ITV tonight, discovered that out of 75 health authorities, 50 list malathion for use against head lice.

Dr Martin Regan, at Liverpool Health Authority, stated: "Our policy at the moment is to recommend malathion ... to kill the bugs". Dr John Maunders at East Norfolk Health Authority said: "Our current treatment is malathion lotions, and if that fails then Carbaryl, but that would be on prescription only. And Dr Roger Buttery, at Cambridge Health Authority, said: "We have a three-year programme - we are currently recommending the three products that use malathion."

Other authorities supporting the use of malathion shampoos include Suffolk, North West Anglia, Bedfordshire, North

and East Devon, Sheffield, Northamptonshire, and Buckinghamshire.

Dr Goran Jamal, at Glasgow University's Department of Neurology, who had researched OP poisoning, said that the shampoo should be used with extreme caution. He pointed out that although a single application of the delousing lotion was unlikely to cause damage to a child's health, repeated application, which can take place because of the risk of reinfection, could be dangerous.

He continued: "People forget that the reasons OPs make good pesticides is that they are extremely poisonous. Claims by

manufacturers that we know everything about them and they are entirely safe are total nonsense."

Dr Vyvyan Howard, director of the Foetal and Infant Toxicopathology at Liverpool University, said the daily safety level of absorption were being exceeded by four or five times. He added: "The most worrying aspect of our findings is the problem of repeat applications of malathion shampoo because there is a delayed toxicity to nerve cells associated with OP compounds and that really is the thing that needs to be avoided, particularly with young children."



Staying ahead: The 57ft-long raft *Storm Warning* being propelled by crew in Devon's annual fund-raising River Dart Struggle yesterday. Photograph: Paul Slater

## Report of menopause pill risks 'misleading'

The Imperial Cancer Research Fund said yesterday that a newspaper report definitively linking hormone replacement therapy (HRT) with breast cancer was "seriously misleading".

The report, in the *Sunday Times*, said that among some groups of women receiving HRT the risk of developing breast cancer was more than double that of non-users. Using information from the biggest ever study on hormone replacement therapy and breast cancer, which is due to be released in mid-October, it said that drafts of the study showed the overall risk of breast cancer to be 35 per cent higher if women took HRT, on average, for 11 years.

Final results from the four-year-project co-ordinated by Valerie Beral, director of the ICRF cancer epidemiology unit in Oxford, are due to be published in a leading medical journal.

But yesterday a spokesman for the fund said that the publication of preliminary findings in the report was likely to cause unnecessary fear among HRT users.

"We are in the process of preparing to publish the full results in the middle of October and the *Sunday Times*' report was not based on the full and final research pa-

per," the spokesman said. "It is dangerous to go on information that isn't completely checked."

"The paper is going to be the most comprehensive review of existing research on HRT. We have 51 separate studies from 21 countries; 90 per cent of the worldwide evidence available."

The ICRF was unable to detail the specific reasons why the report was misleading, as the final results of the research paper are embargoed until later this month.

But a source involved in the study said it was "likely to confirm that there is no established link between HRT and breast cancer death rates".

"This is not the impression you would get from reading the article," the source said.

The study was designed to resolve the controversy over whether HRT causes breast cancer. Around 2 million British women who have undergone the menopause take the daily pill, which replaces the hormone oestrogen. It is said to reduce brittle bone and heart diseases, as well as staving off some of the physical effects of old age.

— Jojo Moyes

## Escaped prisoner held over killing of detective in Ireland

Terrorist suspect Pearce McCauley was still being questioned by police in the Irish Republic last night about the IRA murder of a detective more than a year ago. McCauley - who escaped, armed, from Brixton jail in south London in 1991 - was arrested in a pre-dawn swoop by armed police on Saturday on an address in Renvyle, Co Galway.

He and a woman, together with a man detained nearby, were taken to Limerick to be questioned in connection with the shooting dead in Adare, Co Limerick, of Detective Garda Jerry McCabe. The latter was gunned down and a second officer seriously injured when the IRA opened fire during an attack on a post office cash delivery. Two men have been charged with McCabe's murder, but police inquiries McCauley, wanted in Britain on charges of conspiring to murder and cause explosions, skipped bail after being detained by police investigating the McCabe killing 16 months ago. He and fellow escaper Nessan Quinlivan served jail sentences in the Irish Republic after getting out of Brixton but both were released as part of the Irish government's response to the last IRA ceasefire.

## Space suits give boys freedom

Two young brothers are only ever seen playing football in the garden or going on daytime outings when they are dressed in space suits. Kyle Richards, four, and Ryan, two, who are violently allergic to sunlight, have been supplied with the specially designed protective clothing by the United States space agency Nasa, which heard that the boys could suffer painful blistering just by stepping outside their home at Shotton Colliery, Co Durham.

The suits consist of jackets and trousers made two layers light resistant material, plus a face shield. A battery-powered cooling system inside enable them to be worn comfortably in warm weather. The boys' mother, Carmen, 27, said: "I can't thank the people of Nasa enough for what they have done. I never dreamt they would come up with something like this."

The boys were fitted out during a trip to Florida. Assistant technology transfer director Bob Dotts of the Johnson Space Centre at Houston, Texas, said: "This has been one of the most rewarding programmes I've worked on - and I've done a lot of work on space programmes." Nasa is now working on developing the suits and hopes that, with the help of funding, they can help 2,000 other people around the world with the same problem.

## Toyota to observe silence

Japanese car giant Toyota's plants in Britain will observe the two-minute silence on Armistice Day next month. It is the first Japanese company in Britain to pay tribute to the victims of war. The plants at Derby and Deeside in North Wales, which employ 2,500 staff, will fall silent at 11am on 11 November.

The decision followed discussions launched by the company with the workforce over whether they wished to mark the Armistice Day silence. British veterans, who suffered appalling treatment as prisoners of the Japanese during the Second World War, warmly applauded the move, which they hailed as an important gesture of reconciliation. Arthur Titherington, secretary of the Japanese Camps Survivors Association, said: "Toyota is to be applauded for this decision and I hope the other Japanese companies in Britain will follow suit."

## Lottery jackpot winners

The National Lottery organisers Camelot said that four tickets shared Saturday's £8.7m jackpot with the winning numbers 46, 19, 40, 12, 36 and 28, bonus 38.

## DAILY POEM

### On Re-recording Mozart

by Susan Wicks

When the throb of her voice was cut off, I drove through streets white with silence: no sound but my own engine, as if above or beyond the gear-change a knife glittered, and love

itself were cut out, its high vibrating tongue dicked with a neat flick as the full reel still turned, clicking, lashing its little tail at nothing, and silence became her whole song.

Now I have re-recorded Mozart, my tape unwinding across chasms. Between one note and the next she still breathes. Her breath

pulls me across darkness, the last escape of bodies. Rising from her new throat it redeems and redeems us. I have erased death.

This poem completes our selection from *The Forward Book of Poetry 1998* (Forward Publishing, £7.95), which consists of shortlisted work and selected other entries for this year's Forward Prizes, to be awarded on Wednesday. Susan Wicks's poem appears in *The Clever Daughter* (Faber & Faber), shortlisted for the Best Collection prize.

## Police in India to check DNA of 'hostage' body



Paul Wells (left) and Keith Mangan, in pictures released by their captors

Experts from Scotland Yard are flying to India to establish whether a body exhumed in Kashmir is one of the British hostages kidnapped two years ago.

They will be working alongside the Indian authorities to determine whether the body is that of Paul Wells, of Nottingham, or Keith Mangan, of Middlesbrough.

One of the three-strong team arrived in Delhi yesterday and he will be joined by his colleagues in the next few days. They will carry out DNA tests on the body, which was excavated by Kashmiri police from a cemetery in Akingam in the Kashmir Valley last week.

A Foreign Office spokesman said: "A three-man police team will be travelling to India to help the authorities to establish whether the body could be one of the hostages."

But he said he believed that it could be a long time before any results are known and added: "It could be weeks before any identity can be confirmed."

"There are no indications of how long the body has been buried. The tests should reveal that."

Mr Wells, 26, and Mr Mangan, 35, were abducted by separatists while trekking in Kashmir in July 1995 and reports from India are hinting the body could be that of Mr Wells.

But the Foreign Office spokesman said: "As far as the reports surrounding the identity of the body is concerned, any suggestion that it might be Paul Wells or any other British hostage is pure speculation which has come from the Indian authorities."

"An Indian team are already carrying out tests on the body, which was exhumed last week. We are in constant close contact with the police in Kashmir on a daily basis and we learn about any news immediately."

Donald Hutchings, 42, from the United States and a German man, Dirk Hassert, 26, were also seized and Muslim militants have also claimed that they have been killed and buried in the area.

## M&S wins praise as first supermarket to remove battery eggs from shelves

Marks and Spencer became the first supermarket to stop selling eggs produced by hens in battery cages today.

The company announced that from now all eggs in its 285 UK stores would be supplied by free range hens only. Campaigners hailed the decision as a "bold" move and said it was a major step forward for animal welfare.

M&S said the decision had been prompted by growing consumer demand for free-range eggs. Guy McCracken, food managing director, said: "We care about customers and we care about animal welfare."

"We know our customers support our free-range egg strategy and we are pleased to be able to take a lead in this issue, as in so many others concerned with food safety and animal welfare."

"We believe we have taken a major step towards eliminating battery-farmed eggs."

The store's 20 branches in France will also be following the new policy from next week and in the long term, the store is aiming to use only free-range eggs in its pre-

pared food lines. It means customers will have to pay more for their eggs. Six medium free-range eggs cost 89p compared to 69p for battery-produced eggs.

But a spokeswoman said sales of battery eggs had sunk to about 10 per cent of all sales before the switch.

Philip Lynbery of Compassion in World Farming, which has campaigned vigorously against battery cages, welcomed what he said was a bold move.

He said: "It's a tremendous step forward for farm animal welfare. We hope it marks yet another nail in the coffin of battery cages which is a cruel system that has been condemned by scientists, politicians and the general public."

An RSPCA spokeswoman said: "We're delighted with the step M&S has taken. It points the way for positive animal welfare and we hope other supermarkets will follow suit." She said they also wanted clear labelling on egg boxes so customers could not be misled into thinking they were buying free-range when the eggs had come from caged hens.

## Sports minister's suggestion of bringing back standing tickets for matches angers Hillsborough relatives

The relatives of victims of the Hillsborough disaster yesterday condemned proposals to return terracing to football grounds. Jojo Moyes examines the arguments as they prepared to meet the judge who could bring about a public inquiry into the tragedy.

The Hillsborough Family Support Group reacted angrily yesterday to comments by the sports minister Tony Banks that a return to standing room at certain football matches "was an idea worth considering".

"Quite a lot of seating that I have seen is not that permanent, it is fairly easily removable," Mr Banks said. "If you can easily alter the configuration of grounds so that it would be all-seater where there were international requirements, but on certain oc-

casions there would be standing, that would seem to be a very sensible approach," he told BBC Radio 5 Live's *Sportsworld* programme.

All-seater stadiums were introduced in the wake of the 1989 tragedy, in which 96 people died. Mr Banks's comments came just days after Manchester United chairman Martin Edwards said his club would be willing to restore terracing if the Government relaxed regulations.

But Phil Hammond, vice-chairman of

the Hillsborough Family Support Group, said they were "totally against any return of standing areas in football grounds".

"There could never be safe terracing. We should be looking towards creating sports stadiums like those in America, modern, all-seated facilities," he said. "When you have a seat you have a space that will be there if you stand up for a goal or go to get some refreshments and that space is always there for you, it is safe and comfortable."

He dismissed suggestions that all-seater stadiums were putting fans off watching football because of ticket prices or a lack of atmosphere. "I am going to Anfield today to watch Liverpool," added Mr Hammond, whose son, Philip, died in the 1989 Hillsborough tragedy.

This week the Court of Appeal judge Lord Justice Stuart-Smith is in Liverpool for three days for relatives to present him with information they have gathered about

the disaster and particularly the role played by police on the day. He will look at new evidence that may cast doubt on other inquiries into the disaster and the inquest verdict of accidental death.

Last week senior family representatives met the judge in London, where they presented closed circuit camera footage which they believe shows police were aware of danger signs leading up to the crush on the Leppings Lane terraces.



هكذا من الأمل

# Montenegro moderniser fights Serbia's grip

Presidential elections in Montenegro yesterday threaten Slobodan Milosevic with what may turn out to be his biggest internal crisis since the wars in Bosnia and Croatia.

Serbia's much smaller partner in the now shrunken Federal Republic of Yugoslavia may reject Mr Milosevic's candidate for the charismatic Milo Djukanovic, challenger to the arch-manipulator of the Balkans.

The Sloba-Saddam graffiti comparing the President of the Federal Republic of Yugoslavia (FRY) with the Iraqi dictator, and now spreading through the towns and villages of this rugged republic, with its seismically under-exploited and -to landlocked Serbia - vitally important coastline, is merely the most visible sign of the tensions between Belgrade and the Montenegrin capital, Podgorica.

The cause of all this is the articulate, and - by the standards of Yugoslav ex-communist politicians - unusually charismatic Montenegrin Prime Minister, Milo Djukanovic. While the Serbian opposition coalition which flourished at the time of the Belgrade demonstrations has collapsed in bitter public infighting and mutual re-

crimination, Montenegro has in Mr Djukanovic a Milosevic opponent who looks as though as he knows where he is going. This is a country of political junkies. Customers in the bars avidly watch the televised debates of the parliament; taxi drivers listen rapt to the sessions on their radios. And the audience appears to like what it is seeing of its Prime Minister.

The barrage of anti-Djukanovic propaganda unleashed by the state media in Belgrade has had little impact in Montenegro. If, as Mr Milosevic claims, Mr Djukanovic has sponsored cigarette smuggling - which he vigorously denies - then many Montenegrins assume this is simply to ensure that pensioners continue to be paid.

Faced with a deep split in the ruling socialist party between his own reformist supporters and the pro-Milosevic forces led by the Montenegrin President Momir Bulatovic, Mr Djukanovic signed a historic deal with the opposition Liberal, National and Social Democratic Parties. It guarantees Mr Djukanovic the parliamentary majority that the ruling party split would otherwise deny him. And it gave him a clear and almost certainly successful run against Mr Bulatovic in the presidential elections.

In return he has agreed a far-reaching political and economic reform programme for Montenegro, whose 650,000 population is dwarfed by Serbia's 10 million. In the process it has set the Montenegrin political leadership on a direct collision course with Slobodan Milosevic, already struggling not to be destabilised by the equally ir-

reconcilable split between the Bosnian Serb party bosses Radovan Karadzic and Biljana Plavsic - now backed by the West despite her history as a ferocious anti-Muslim hardliner - which flared into violence at Banja Luka this week.

Mr Djukanovic, a 35-year old, 6ft-plus economics graduate who is happy to receive visitors at the weekend wearing slacks and a white T-shirt, may not exactly be Tony Blair. But by Balkan standards he is a moderniser. He joined the Communist Party at 16 but he has now become a committed pluralist.

If he wins the presidential election he will install a coalition committed to political and economic reform, including large-scale privatisation; the pact guarantees the opposition parties a new, proportional electoral system, along with the same access to state television and the press as they already enjoy in the increasingly flourishing independent media.

Since Mr Milosevic became FRY President, having completed the maximum two terms as Serbian president, he has been trying, in the precise opposite of devolution, to transfer a series of powers from republic to federal level. In particular he wants to control tax gathering and the secret police in a move which the Montenegrins regard as ending their separate statehood. Mr Djukanovic has pledged to resist, although he emphatically dismisses claims by Milosevic that he is a secessionist.

Montenegro has close cultural and religious ties with Serbia. But it will not accept continued federation at any price. "We want to be in Yugoslavia but not in any Yugoslavia," says information minister Bizar Jaradic. Chafing against the "outer wall" of sanctions imposed

by the West, Mr Djukanovic wants Belgrade to meet the conditions - such as the appearance of indicted Serbs before the Hague war crimes tribunal - which would at last allow it access to international finance.

He knows that his fiercely independent stand has resonances of Slovenia whose secession in 1991 precipitated military intervention from Belgrade. But while Yugoslav national army commander General Momilo Peresic is probably not a Djukanovic supporter, he has sought to reassure the Prime Minister's associates that he does not want the army involved in what he regards as civil conflict. In any case, Mr Djukanovic's preference is for changing Yugoslavia from within, through the power his own government shares with the Serbians in the federal administration. "We will stay in Yugoslavia until we are forced out," says Bizar Jaradic.

Mr Djukanovic supported the student protests against Mr Milosevic at the end of last year, assuming that he wins the presidential elections - and the subsequent parliamentary elections - he is bound to bring his brand of reformist reformism closer still to Mr Milosevic's federal power base. He is likely to replace hardliners with his own supporters in the federal government.

Zoran Djindjic, the former mayor of Belgrade who was removed by Mr Milosevic's henchmen, and a prominent Serbian op-



Behind you: Slobodan Milosevic keeps a close eye on his wife, Mira Markovic, as she votes yesterday in Belgrade as the former Yugoslav republics of Serbia and Montenegro both went to the polls to elect new presidents. Photograph: AP

position leader, enjoys close relations with Mr Djukanovic. He says: "Milosevic faces three problems: Djukanovic, Mrs Plavsic in Bosnia and the opposition here in Serbia."

Mr Djindjic is clear that all three forces need to work closely together so that Mr Milosevic cannot exercise his famous talent for dealing with one front at a time; he has successfully split the opposition in Serbia. Mr Djindjic adds that, at present, of the three problems for Mr Milosevic, "Djukanovic is the most serious". He could yet be the catalyst for a change which goes well beyond the borders of Montenegro.

BY DONALD  
MACINTYRE

## Prodi's dilemma: let the left win or surrender Italy's drive towards Emu

Italy has fought long and hard to be among the first wave of countries admitted to the single European currency.

Until last week, it seemed to be all but assured of its goal. Then the government did what Italian governments always do sooner or later: it went into crisis. Andrew Gumbel looks ahead to crucial negotiations today.



Fausto Bertinotti: Pulling the plug on Prodi's reforms.

This is a crisis that has been a long time coming. Ever since his centre-left Olive Tree coalition took office 17 months ago, Italy's Prime Minister Romano Prodi has been painfully aware of a chronic weakness on his left flank, namely the far-left party Rifondazione Comunista whose support he is forced to rely on to make up a governing majority in the Chamber of Deputies.

All through the agonising budget debates aimed at slashing the country's runaway deficit down to manageable Euro-proportions, Rifondazione has made clear it will only tolerate the pain of austerity as long as it does not interfere with pensions or key social spending on health and education.

Every now and again the party has pushed the government

to the brink of collapse on other issues too, as this spring's turbulent approval of the multinational force sent to Albania illustrated.

Mr Prodi's team has, under the circumstances, done remarkably well to cut the deficit as far as it has, bringing Italy within a whisker of the 3 per cent deficit-to-GDP ratio laid down in the Maastricht treaty. But next year's budget is different. Next year's budget can no longer rely on tax increases and creative accounting devices to satisfy the guardians of the Euro. It has to attack the welfare state so beloved of Rifondazione's mercurial leader, Fausto Bertinotti.

Since the summer holidays, Mr Prodi has been caving in to Mr Bertinotti's demands to go soft on pensioners and the sick-

Originally, some 10 trillion lire was to have been shaved off the pensions budget; the final package presented last weekend reduced that to less than five trillion. Originally, there were to have been no further tax increases; the final package included a number of them to make up the pensions shortfall.

But all this was not enough for Mr Bertinotti, who has made a career of tripping everyone else up and pushing himself into the limelight. On Monday he gave a definitive thumbs-down to the budget, declaring that "only God can save this government now".

He may, of course, be exaggerating. This is Italy, land of political brinkmanship and limitless compromise, where even the worst of rifts have a habit of being miraculously cured at the 11th hour.

Unable himself to believe that Italy's European future is about to go down the tubes, Mr Prodi has convened a parliamentary debate for next Tuesday, thus giving himself a few days' grace to find a way out of the impasse.

There are many options, but the most likely ones are either getting Mr Bertinotti back on board, possibly by offering further concessions; or persuading at least a handful of opposition deputies to side with the government, even if this means the fall of the Prodi coalition as soon as the budget is passed.

Mr Prodi has ruled out broadening his coalition, since that would scupper Italy's long-suffering attempts at creating a bipolar political system. The main governing party, the PDS, has ruled out the possibility of trying to build a new government if Mr Prodi falls. The only option in that case, it says, is fresh general elections.

Today, Mr Bertinotti will meet with Mr Prodi, and the Prime Minister said he would make every effort to strike a deal. "I am against interrupting the course of this government and will do everything possible to prevent it from happening," he said in a speech on Saturday.

Deputy Prime Minister Walter Veltroni said the government was open to discussing a reduction in the working week, which Rifondazione wants reduced to 35 hours from a current 39, and other measures to boost employment. "This could then lead to other initiatives," he said.

But the Rifondazione leader was not optimistic in an interview yesterday. "Let's put it this way," he said. "We're inclined towards pessimism but we'll do all we can because tomorrow's meeting could prevent the fall of this government."

He told *La Stampa* that he would propose a one-year pact to nurse the government through the crucial spring of next year when Italy hopes to clinch its place in the first wave of entrants for Emu.

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## Radical warning to the West

Radical Party leader Vojislav Seselj promised cooperation with Yugoslav President Slobodan Milosevic and confrontation with the West if he won the Serbian presidency in elections held yesterday.

"The Radical Party's victory would rule out any possibility of kneeling to any western force," he said. "Serbia will focus on its own interests. It won't be anyone's servant."

Election officials said the early turnout was running at the same level as the first round on 21 September, when 57.5 per cent of the 7.2 million electorate voted. The vote must top 50 per cent to be valid and avoid a fresh election, with a boycott by opposition parties threatening to leave the turnout short of the threshold.

Milosevic looked grim when he voted with his wife Mira, leader of the powerful neo-communist JUL party to which most of Serbia's non-socialist political and business elite belong.

With his radicals enjoying a surge in support, Seselj was challenging Milosevic's Socialist Party candidate Zoran Ljilic for the republican presidency.

In presidential elections in Montenegro, Serbia's smaller but equal partner in the Yugoslav federation, polls tipped Prime Minister Milo Djukanovic to defeat outgoing President Momir Bulatovic, Milosevic's candidate.

Seselj, a hardline nationalist and paramilitary commander during Serbia's wars with the secessionist former republics of Croatia and Bosnia, has been both an ally and a foe of Milosevic.

Political sources said Seselj would fight hard to prevent Milosevic siphoning power from the Serbian presidency to the Yugoslav presidency. Seselj is a dedicated foe of the Bosnian peace agreement and of western demands for compromise with the restive ethnic Albanian majority in Serbia's province of Kosovo. He has ruled out the extradition of former Bosnian Serb President Radovan Karadzic and army commander General Ratko Mladic for trial by the UN war crimes tribunal.

Coalition with Seselj would make it impossible for Milosevic to meet the West's demands, without which the UN sanctions still crippling the Yugoslav economy will remain in place.

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## Congo closes down aid agencies in refugee row

The government of Congo-Zaire is handing back Rwandan Hutu refugees to Rwanda against their will. It says it wants to prevent them setting up guerilla bases on its territory.

Amelia French says the move has again brought Congo into conflict with the aid agencies.

The relationship between the United Nations and the government of Laurent Kabila in Kinshasa took another turn for the worse over the weekend with the demand that all refugee organisations should leave the east of the country.

Pierre Gerety, director of the United Nations High Commission for Refugees (UNHCR) for the Great Lakes region, said that the decision followed the UNHCR's suspension last month of its work with Rwandan Hutu refugees in Congo-Zaire after the authorities there forcibly repatriated a number of Rwandan Hutus to Rwanda.

Over a million Hutus fled Rwanda in 1994 in fear of reprisals for the Hutu-led slaughter of around 800,000 Tutsi and Hutu opponents to the former regime. The great majority have now been repatriated to Rwanda. But some are believed to be reluctant to emerge from the forests and remote villages of eastern Congo-Zaire.

The Rwanda authorities say these people do not want to return because they know they will have to face justice if they participated in the genocide.

Mr Gerety acknowledged that Hutu militiamen - many of

them members of the former government army which played a leading role in the genocide - were still present in Congo-Zaire. "The UNHCR has been faced with the very difficult problem of distinguishing between innocent people and military elements and perpetrators of the genocide. This remains a thorny issue," he said.

The UNHCR has been strongly criticised, especially by the Rwandan government, for allowing the militiamen to rearm, train and recruit in the refugee camps it set up along the border. It seems that it was the fear that this would happen again that contributed to the Congolese decision to expel the UNHCR.

Last week, several hundred Rwandan Hutus fled across the border from the north-western region of Gisenyi into the Goma area, ostensibly to escape heavy fighting. The Rwandan military commander for the northwest, Colonel Kayumba Nyamwasa, said at the weekend that this group had been lured across the border by militiamen who launch attacks from there against military and civilian targets in northwest Rwanda. Col Kayumba said their intention had been to prompt the UNHCR into setting up another refugee camp. It would appear that the Rwandan and Congolese governments decided together that this should not happen.

The Rwanda government has also taken further preventive action. Col Kayumba said that all the civilians who fled had been repatriated, along with no fewer than 1,000 militiamen rounded up by the Congolese security forces - the first time the security forces on both sides of the border have openly cooperated.



Welcoming faces in the crowd: Worshippers cheering the Pope as he arrived to offer an open-air mass for Catholics in Rio de Janeiro yesterday at the end of his four-day visit to Brazil  
Photograph: Ricardo Mazalan/AP

## Netanyahu 'over-ruled' Mossad chief

A political battle is erupting in Israel over who is to blame for the failed assassination bid on a leader of Hamas, the Islamic militant organisation. Benjamin Netanyahu, the prime minister, is accused of overruling the head of Mossad, the foreign intelligence organisation. Patrick Cockburn in Jerusalem reports.

Benjamin Netanyahu defended himself yesterday against the allegation that two weeks ago he over-ruled Danny Yatom, the head of Mossad, and ordered him to assassinate a Hamas leader in Amman. He is said to have wanted the operation, which the Mossad chief in Jordan also advised against, as "a holiday gift" for Israel.

Defending itself against a mounting storm of criticism the government said yesterday that the security and intelligence chiefs make recommendations to the prime min-

ister and not the reverse. Mr Yatom may well be forced to resign whatever the details of what happened. Mr Netanyahu will probably survive, but with a damaged reputation.

Israel expects Jordan to hand back the two Mossad agents held in Amman, but King Hussein may want the release of more Palestinian prisoners in Israel in addition to Sheikh Yassin, the spiritual leader of Hamas, who was freed last week. The Jordanian press says that King Hussein last week sent his brother, Crown Prince Hassan, to show President Clinton in Washington a video of the confessions of the captured Mossad agents.

Sheikh Yassin, whose health seems much better than suggested by first reports, says he plans to leave Jordan and return to Gaza today. "God willing, tomorrow we are heading for Gaza," he said in a telephone interview from his hospital bed in Amman, where he has been treated since he was freed last Wednesday from an Israeli jail.

The damage to Mr Netanyahu is likely to be greater than from previous scandals because the abortive assassination will have se-

rious long-term effects. Whatever their feelings about the Oslo accords with the Palestinians, Israelis like the 1994 peace treaty with Jordan. King Hussein now says that, after the assassination attempt, he feels as if somebody "had spat in his face."

The release of Sheikh Yassin will make it very difficult for Yasser Arafat, the Palestinian leader, to meet Israel's demand for arrest of Hamas activists. The fact that Israel was forced to release Sheikh Yassin, rather than doing so voluntarily, has increased his prestige and that of Hamas as a whole. Mossad's reputation, in contrast, has been badly damaged.

The Israeli press is highly critical of Mr Netanyahu's alleged behaviour in the affair. Hemi Shalev in the daily Ma'ariv says the assassination plan looks as if it was taken from "the script of [the film] Pulp Fiction." He says that at first nobody believed accounts of what had happened in Amman because "it hardly seemed plausible that any rational person in Israel would authorise an operation which reflects a complete lack of judgement."

## Algerian rebels kill 12 in shell attack

Muslim rebels shelled Algeria's main garrison town for about three hours, killing 12 civilians and leaving a further 85 wounded, Algerian newspapers reported. The rebels, holding mountains overlooking Blida, where the military has its main barracks, bombarded the city with home-made shells on Friday night.

Meanwhile, *Le Soir d'Algerie* said yesterday that 13 civilians, including a year-old baby, had been found dead with their throats cut. The massacre brought to at least 101 - and possibly as many as 137, according to varying figures by Algerian newspapers - the number reported slaughtered last week. —Reuters

## Bomber 'a loner'

Austrian police, convinced they have caught a racist bomber who terrorised the country for four years, are concentrating inquiries on finding out whether the man acted alone. Interior Minister Karl Schloegl said evidence recovered from the man's home left little doubt he was the bomber. The 48-year old suspect, arrested last week in Gralla, Styria, was a known loner. He lost both hands when a device he was carrying exploded as police asked him to get out of his car. —Reuters

## Guerrilla blitz

Two separate attacks in Colombia, one blamed on leftist guerrillas and the other on paramilitary gunmen, have left at least 28 police, soldiers and prosecutors dead. Authorities blamed guerrillas for the second of the attacks, which wiped out a two-car police patrol on Saturday, killing 17 officers in Alto de Bodega. Guerrillas have mounted a widespread campaign to disrupt municipal elections later this month. —AP

## India in the dark

India grappled with a communications breakdown after its most advanced communications satellite INSAT-2D was abandoned because of a power failure. All 24 transponders, used for communication and broadcast services on the Indian National Satellite system, were turned off after the satellite - which had cost 3.0bn rupees (\$83.1m) - suffered power failure. —Reuters

## Famine fight joy

International aid has helped avert widespread death and malnutrition in North Korea, a UN official said. "The situation remains serious ... but it was not the level of desperation that was expected," Namanga Ngongi, of the World Food Program, said. Estimates show a food shortfall in the coming year of between 2 million and 2.5 million tons, half what is needed to feed the nation's 24 million people. About \$150-\$200m will still be needed. —Reuters

## UN anger as armed gang launches grenade attack on oil-for-food HQ in Baghdad

Four gunmen hurled grenades and fired bullets at an office of the UN oil-for-food agency in the Iraqi capital Baghdad, destroying and damaging at least three vehicles in the compound, officials said.

No one was injured except one of the attackers who was overpowered and taken into

custody by the Iraqi army, said a UN statement sent to Cairo. The remaining three gunmen fled, it said.

The attack was on Saturday night at the World Health Organisation's headquarters in Baghdad, which houses an office for UN officials monitoring the oil-for-food programme.

According to preliminary reports the four men lobbed grenades and also opened fire at the WHO building.

Eric Falt, spokesman for the oil for food programme, told the Associated Press in Dubai that the attack came after office hours and only guards were present at the building.

The UN's humanitarian coordinator in Baghdad, Denis Halliday, condemned the attack, the first ever at a UN building in Iraq, the statement said. "It is the Iraqi government's responsibility to protect UN personnel and property against any harm and Mr Halliday has asked for an urgent

meeting at the highest levels with the Iraqi leaders in order to express his concern," said the statement.

No one claimed responsibility for the attack.

Iraq has been under UN sanctions banning the sale of oil, its economic mainstay, since its 1990 invasion of Kuwait. But a

special UN programme, put in place in December 1996, allows Iraq to sell \$1 billion of crude every 90 days to buy needed food and medicine under UN supervision.

The WHO building is located in the al-Wahda district, where an Iranian opposition group in exile is based.

This Saturday, we promise you'll have more to say than Jimmy Hill.

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# American dreamers suffer from double vision

As half a million men sang and prayed in Washington this weekend in one of the biggest Christian gatherings ever seen in the United States, a smaller, but hardly less fervent group of believers was assembled in a nearby hotel.

They were celebrating a diametrically opposite, but equally American, set of views: the rational self-interest of Ayn Rand's *Atlas Shrugged*.

As Mary Dejevsky reports, the contrast could not have been sharper.

Out on the Mall in the sunshine were the men in their jeans and T-shirts with their packed lunches and self-effacing chants of "I have sinned". In the subterranean conference hall were the Ayn Randers, almost 500 of them, in their sharp business suits and bright dresses, asserting themselves and the virtues of self-esteem and self-reliance for all they were worth (which in some cases was millions of dollars).

*Atlas Shrugged*, the vast philosophical novel the 40th anniversary of whose publication they were celebrating, was seen by its author as her life's work: a moral philosophy in literary form that would underpin and justify the supremacy of reason, the primacy of the individual and the making of money.

It lauds the industrialist, technological advance, and profit - recounting the disaster that would face America and the world if the "doers" and money-makers, feeling unappreciated by their fellow-countrymen, went on strike.

As many speakers this weekend acknowledged, some of the scenarios and details in the novel - including the awe of big machines and technological advance - are dated. One after another, however, they rose to their feet to chart the influence of the work and of Ayn Rand's thought generally on their own thinking and careers. Many had read the book in their teens or early twenties - during the Sixties and Seventies, that is - when it was tantamount to heresy.

Many could cite whole scenes and passages as testifying to the well-springs of America's prosperity as they saw it. Scholars among them lamented what they said was the continued dominance of liberalism on US university campuses and in American intellectual life that had left them marginalised (but hardly poor) in right-wing think-tanks.

The more optimistic suggested, however, that with the fall of Communism and the Left's acceptance and embrace of hitherto right-wing economic

arguments, they were less isolated than before.

Rand herself was a ferocious enemy of Sixties liberalism and everything associated with it. She spoke out against the student rebellions on American campuses, against socialism and collectivism, and she attacked what she saw as left-wing bias among film-makers.

Almost from the time she arrived in America, in her mid-twenties, she regarded herself - in her philosophical views at least - as more American than many Americans. She dismissed those who disagreed with her for not appreciating their freedom and the respect for individual rights she believed it to be based on.

Video clips of her later television appearances show an insistent, dogmatic and humourless woman in her sixties, speaking with the quietness of utter certainty. The pitch of her voice was low and despite almost half a century in the United States, she retained a decided Russian accent. That apart, her manner had some affinity with that of Margaret Thatcher. You can almost hear her saying: "There is no such thing as society." She seems never to have done so, but she came pretty close.

To many Americans, Ayn Rand represents - for better or worse - the current of American thought that prevailed during the presidency of Ronald Reagan: a sort of economic



Cross-bearers: Young men at the Promise Keepers' rally

Darwinism - selfish, money-seeking and ruthless.

But there is one signal difference, clearly illustrated this weekend. She could never have allied herself with the religious right. She was profoundly secular, dismissing religion in its entirety as "mysticism".

From this weekend's mass prayer meeting on the Mall by the Promise Keepers there wafted these preacher's words, amplified many times over by giant microphones: "When we do, size God, we upsize ourselves."

Indeed we do, could have come the answer from the Ayn Randers, and a very good thing, too. But large numbers of Americans disagree: they want their money, their self and their God, and let the philosophical contradictions to hang.



Philosophical musing: The controversial novelist Ayn Rand (centre), with the American film star Gary Cooper and the actress Patricia Neal

## ATLAS SHRUGGED

"My morality, the morality of reason, is contained in a single axiom: existence exists - and in a single choice: to live. The rest proceeds from these."

"To live, man must hold three things as the supreme and ruling values of his life: Reason - Purpose - Self-esteem."

"Reason as his only tool of knowledge - Purpose, as his choice of the happiness which that tool must proceed to achieve - Self-esteem, as his inviolate certainty that his mind is competent to think and his person is worthy of happiness, which means: is worthy of living."

Excerpt from radio address by John Galt - the turning point of the novel.



## ANTI-COMMUNIST DRIVEN BY A CAUSE

Ayn Rand was born Alisia Rozenbaum in St Petersburg 1905, the eldest of three children of a Jewish chemist shop owner. She changed her name when she arrived in the United States, on a visitor's visa, but intent on staying, in 1926. Ayn she took from a Finnish writer, Rand from the brand name on her prized typewriter.

Driven by the certainty that she would become a famous writer, she struggled as a junior Hollywood scriptwriter, before earning controversial fame in 1936 with her first novel, *We the Living*, about Soviet Russia. She moved to New York, her adopted home, publishing *The Fountainhead*, about the struggles of an unconventional American architect in 1943, and her magnum opus, *Atlas Shrugged*, in 1957.

She was married for 50 years to Frank O'Connor, an unsuccessful actor and painter, a marriage complicated but not ended - by her 18-year affair with Nathaniel Branden, a disciple 25 years her junior.

A fierce anti-Communist from the age of 12, when she witnessed the first shots of the Russian revolution, she died in 1982 - too early to see the extent of her influence or the end of the system she despised.

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IN6/10



Designer Donatella Versace, above right, acknowledges applause for her Versus collection, shown in Milan on Saturday, the first since the death of her brother Gianni earlier this year

Photograph: Stefano Rellandini/Reuters



Dolce e Gabbana sent forth micro-skirted signorinas as well as veiled and corseted Sicilian widows

Photograph: Luca Bruno/AP



Left: a black-clad Demi Moore absorbs every detail of an outfit modelled by Naomi Campbell during the Versus show

Photograph: Stefano Rellandini/Reuters



A gold sheath dress from Donatella Versace's Versus collection for Spring/Summer 1998

Photograph: Luca Bruno/AP

## Donatella and Demi, women in black

Paris is art, ideas, imagination. Milan is, give or take the brilliant Dolce e Gabbana, slickness, flashiness and commerce. Except this time - this time it is emotion, a wake for Gianni. Fashion's most famous mourners will be there. And then there is his sister Donatella. Her moment has come through tragedy. But, asks Tamsin Blanchard, will she rise to it?

There are few great fashion moments to be experienced during Milan Fashion Week, but when it comes to emotion, there is of course no shortage. At the Versus show on Saturday evening there were a few lumps in the audience's collective throat as Gianni Versace's sister Donatella, dressed in black, took her bow. On Thursday comes the big Versace show, where she more formally takes over the reins. Tears will be mandatory. Donatella is the party-goor of the Versace family. Her late brother Gianni liked a quiet dinner with friends and an early night. But this week she looks sober. And so she should, for

the rest of Milan's designers are watching the house of Versace with curiosity. They are intrigued to see if she can pull off the most difficult task of her life: to make a mainline collection that would have made her brother proud. So Saturday was merely a preamble. Versus, the younger, more accessible line was already her design responsibility. Demi Moore was at the show and so was Posh Spice.

Santo Versace, the 53-year-old chief executive of the company who now holds a minority stake of the shares, watched his little sister's show from the front row. Donatella had also

flown in the fashion editors of hip New York magazine *Interview* to give the collection a streety edge. Right now, the fashion pack will forgive Donatella anything, even rubber tracksuit bottoms like the ones joggers wear to make them sweat more.

On Thursday, when things get ritzier, Elton John, George Michael, Liz Hurley and Madonna will be in attendance. Yesterday afternoon there were other treats to be had - a vintage collection from Dolce e Gabbana. The duo revisited their favourite theme of Sicilian widows with black veils and corsets, shrouded in layers of

tulle. It is a sort of 'At home' in their own eclectically furnished show house. Demi is in evidence once again, seated in a place of honour on a gilt baroque sofa, next to fashion doyennes Liz Tiberius of *Harper's Bazaar* and Suzy Menkes of the *International Herald Tribune*.

Dolce e Gabbana is a marriage of Italian cultures. One is Sicilian and the other Milanese and the two influences melded perfectly in this collection.

As well as the classic widows' veils and underwear (worn to be seen), there were sexy knee-high socks with gold flowers embroidered down the backs, coupled with impossibly high

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## Once upon a time there was a very angry bookseller...

When WH Smith sacked Tim Waterstone, they unleashed a whirlwind they are still reaping. He went on the dole, built a chain of brilliant bookshops and sold them - to WH Smith. He is a rare man, and a rich one. Last week he embarked on his next big adventure. Don't bet he won't pull it off.

Tim Waterstone is balding and long-nosed and quite a bit jagged and wears a shirt with frayed cuffs. He is very un-Richard Branson or Terence Conran or any other successful businessman you can think of. Mostly, he looks like that pink-domed geography teacher you had at school, the one who was always pelted with paper pellets and whom no one fancied apart from Miss Tandy, the spinster chemistry teacher with the moustache and thick legs with whom he danced annually at the sixth-form disco.

So, in short, not a charismatic sex-bomb, as far as initial appearances go. But then he gets cross. And when he gets cross he gets very passionate. And masterful. And magnificent. And sexy, even. Then, you can see why he's been so successful and so frequently married. Tim, I tell him, you are really quite beautiful when you're angry. Thanks, he stutters blushing, before adding that he's actually not cross most of the time. He just happens to be extremely cross at the moment.

He is cross with WH Smith. Smiths hasn't been doing at all well as of late, and may be on the brink of disaster. But when last week, Tim made a surprise takeover bid, his offer was dismissed out of hand, rather scoffingly.

"How dare they?" he cries. "How dare they do it? Not to me, but to their shareholders. It really wasn't sensible of them to be so grand. But I won't give up. I won't let this die. If you start something you must finish it. You can't back off. And I am absolutely determined. Absolutely determined. I always believe I am going to win, because I will it. Yes, I do have a lot of self-belief but that's what retailing is about, self-belief."

"Smiths used to have this branch in Hampstead where the manager was told to cut costs by turning the light off when there weren't any customers in the shop. He spent all day running to and from the light switch. A customer would come in and it would be pitch black until the manager ran over to put on the light. Now, does that convey self-belief? No, but it's typical Smiths in their current state. Typical!" I think if Mr Waterstone had been my geography teacher I'd know a lot more about Paraguay.

But why does Tim want Smiths so badly? Because, he replies, "they've blown what was once a fabulous family business, and I just can't bear it. They went through this awful dumbing-down period in the Eighties when they went into music and videos and abandoned their core retail business and developed a logo that was orange and brown. Orange and brown! I really want to save



He was treated as the dunderhead of the family: "If my mother had seen Waterstone's, she would probably have said, 'Oh Tim, not a shopkeeper'".  
Photograph: Glynn Griffiths

them." So it's not about fulfilling some revenge fantasy then? "Oh no," he insists. "I'm over all that." But, still, I wonder.

Tim actually worked for WH Smith until 1981, when he was booted out after setting up a US book distribution business that never really got off the ground. Was he annoyed at Smiths then? "Annoyed? I was apoplectic with fury. Apoplectic!" He ended up on the dole. Or could have ended up on the dole, had he stuck it out in the queue at the labour exchange in Wandsworth. "I'll never forget standing in that God-awful place to collect 30 quid. I didn't get as far as the counter. I walked out, sat in my car, and the whole horror came to me. My life had been taken apart, and I had a blind, euphoric determination to do something." By then, he was already on to his second wife and had six children.

Certainly, setting up Waterstone's, the bookshop chain that was financed, initially, by some hefty bank loans, was his way of sticking one back on Smiths. Indeed, when he was sacked, the then chairman, Sir Simon Hornby, told Tim he didn't mind what he did so long as he didn't set up rival bookshops. "So, of course, it occurred to me then that it was precisely what I would do." He then took great pleasure in opening branches of Waterstone's as close to branches of Smiths as possible. "When we set up in Bath, we closed the Bath branch of Smiths in three weeks," he recalls happily.

Waterstone's grew and grew until 1988 when Tim sold it. To Smiths. For £42m, of which around £10m went to him personally. He thinks they paid rather too much for it, "so it was

a very good joke. Although I didn't go yay, yay, yay, yay." Now, Tim gobbles up WH Smith, would be what? An even bigger and better joke? No, he insists. "I just know I can pull Smiths back within six months. I just know I can Waterstone it."

He uses his own name as a verb, and why not? You know what he means by it. He'll decide what Smiths is about, then go for it. In fact, he's already decided what Smiths will be about. No more music. No more videos. It'll concentrate on just three things: beautiful stationery, middle-market books, newspapers and magazines. This last will be expanded enormously. "You will have all the foreign language newspapers, minority periodicals, every computer magazine you can lay your hands on." He wants, he says, to make Smiths the "authoritative" high street news retailer in much the same way he made Waterstone's the authoritative high street bookshop.

It would, I think, be difficult to overstate Tim Waterstone's impact on the book trade. He may, even, have done more than anyone to transform literary Britain than anyone else. Before Waterstone's, what was there? Well, there was always your local bookshop, but that was a jumble that never seemed to have what you wanted. If you were very brave, you could venture into London, to Foyles, but with its chits, confused staff and layout it had all the appeal of a sub-post-office in Karachi.

What Tim did was create big shops you could walk around, that had good layouts, more than 50,000 titles always in stock, excellent specialist sections, long opening hours and staff who were graduates who

may have read a book or two. He took bookselling from something people used to do as a favour or a hobby and turned it into something much sexier, and much more rock 'n' roll.

After selling Waterstone's, Tim remained as a consultant for five years, then moved away to write three novels and open Daisy & Tom, a sort of children's department store on the King's Road in London which will soon, he says, be established nationwide. He got the idea for



DEBORAH ROSS  
TALKS TO TIM WATERSTONE

Daisy & Tom from noting how his third wife, Rosie, seemed to spend most weekends sleeping their two young daughters, Daisy and Lucy, from shoe shop to clothes shop to toy shop.

So, he thought, why not one shop that sells clothes and shoes and toys? Yes, other men might have just given Rosie a hand. But other men aren't entrepreneurial visionaries like Tim.

Anyway, I met Tim at Daisy & Tom on a Saturday afternoon, when business is brisk, to say the least. The place is jam-packed

with the sorts of families who dress their little girls in top-quality tartan skirts and make their boys wear sailor suits to weddings. It is very Chelsea. Yes, there's Barbie and Action Man but there's also a £2,600 play cottage with a real thatched roof. Crickey, I say, you could buy a house in Manchester for that. True, says Tim, "but we've just sold two". He is not into money-purse himself, he says. "Look at my cuffs," he cries.

We go to the soda fountain, where Tim orders tea but is given a cappuccino. "Awfully sorry," he says to the waiter, "but I ordered tea. Could you change it?" I'll pay for the cappuccino, of course. I tell Tim to buck up. You own the place, man. Fire the boy. Tim cringes and says he couldn't. He once had to sack an assistant manager at a Waterstone's, who then went on to have a full-blown nervous breakdown. The guilt still makes him feel sick, he says. I think he can give as good as he gets but isn't necessarily a bully.

He may be an essentially good man sitting atop some dark and occasionally explosive forces. Tim, do you ever fear breaking down yourself? "Of course, one fears it round every corner." I think he may be more complicated than Richard Branson or Terence Conran, actually. Certainly, he is much more open.

He was born and brought up in Crowborough, Sussex. His father, Malcolm, was a Second World War drummer who became a tea-broker. He loved his father "hugely", he says, then adds "although I never had a good relationship with him". Why not? He isn't sure. They just never hit it off. One of his first memories is of his father

returning home on leave during the war: "I was two and furious at this man in uniform for breaking up my idyllic relationship with my mother." Apparently, Tim said to him, "What have you come here for? We're perfectly happy without you." He thinks his father might never have forgiven him.

"He adored my older sister (Wendy, now a retired doctor) and poured most of his parental affection onto her. Plus, he was very fond of my older brother (David, a company chairman). But I could never make any kind of alliance with him. I remember when I was seven, I went up to kiss him, as he sat reading his paper. I had just kissed mother goodnight and I suddenly thought I would kiss father, too. But he pushed me away and said, 'Men don't kiss.' It was a terrible blow. I remember feeling totally devastated. We never touched again."

Tim himself has eight children from his three marriages. As a father, he has always been very tactile and loving, he says. The worst thing about the failure of the first two marriages was having to leave his children. "There has never yet been a child who has come out of a divorce without a scar on his heart."

He then says there's this chapter in his first novel, *Lilly and Chase*, that is all about a father having to tell his daughter he is leaving. He says the chapter is so autobiographical he can't read it without crying. I go off and find that chapter. Certainly, it is moving stuff. "Annabel [the daughter] was staring at him, all chatter gone, her face taut with anxiety... he could see that she, too, was crying."

His brother and sister were, he says, much more academic than he was and, as a result, he had quite a nice childhood be-

ing, but there was no sound from her as the tears ran down her face... he saw in her a depth of pain that he knew she was too young to bear...

If he felt it as badly as this, why didn't he stay? I mean, a lot of couples do stay married just for the children's sake, don't they? Yes, he agrees, they do. But he couldn't do it. "Once a relationship starts to come apart I cannot stick with it. I just do not have the patience."

His mother, Sylvia, was much more affectionate than his father, and much cleverer. "She would have her tea in bed and whizz through *The Times* crossword, whereas father was practically innumerate and had left school at 14." She adored Tim who, as the youngest, became her little pet. She would take him to musicals.

Tim adored her, too, although can now see she was a fearful snob. "I remember once playing with this little girl on the village green, and asking her back for tea. After she had gone my mother said, 'Please don't bring her back again, dear. She is rather common.'"

Neither Malcolm nor Sylvia were bookish. "And when I say they weren't bookish, I mean not bookish. I can't remember either of them reading a book ever. And there were no books in the house." The first book he remembers reading was an edition of Dickens's *The Old Curiosity Shop*, which he thinks either Wendy or David brought home from school. Tim is still a great reader. And his favourite novel of all time? *Middlemarch*, he thinks.

His brother and sister were, he says, much more academic than he was and, as a result, he had quite a nice childhood be-

## Beastliness, foetal attraction and Britain's love of the underdog



DINAH HALL

I wish everybody would stop being so beastly to poor wee Willy (I've consulted my medical textbooks, by the way, and he looks nothing like a foetus - but do you remember the Mekon from the comic strip "Dan Dare"?). If it carries on much longer I might have to join the Conservative Party just out of sympathy for Mr Hague - in fact, I wonder if this isn't some fiendishly clever plot hatched by the Tories to appeal to the British tendency to support the underdog. Elect a flat-vowelled slug as your leader (gosh, I do see the problem - I mean that just sort of slipped out without me noticing), then gang up against him, using exclusion techniques perfected at school, like getting all the most popular boys in the class to boycott his birthday party.

I'm all for paying the doctor a pound a visit. In fact, as a hypochondriac with a conscience, I'd be happier paying rather more for guilt-free visits, but then my GP has the added incentive of combining the sympathetic manner of George Clooney with the foppish charm of Hugh Grant. The only thing I'm not so sure about is his literary taste - he once confided that his favourite bedtime reading was *The Daily Telegraph Book of Obituaries*: such an enthusiasm for death seemed to me to be inappropriate in a man of his profession.

Having run out of symptoms of my own to discuss, I took my son to see him last week - a somewhat humiliating expedition as he sat there in cynical teenage mode, quietly sniggering to himself. And all because, as Dr Gorgeous withdrew my son's

lengthy medical history, I had said - as one does - "What a bulging packet, darling". At this tender stage of his development, a word like "bulging" is replete with innuendo; only the words "do it" in a sentence can be guaranteed to cause more nudging and suppressed hilarity. I well remember this painful phase - my speed-reading technique was perfected at school when I used to scan the text ahead to calculate whether the impossible task of reading out loud the paragraph containing the word "intercourse" would fall to me. Of course Dickens these days holds no such booby (whoops) traps: nobody under the age of 30 has heard of the quaint expression "sexual intercourse".

In the current Blairite orgy of goodness and

niceness, the announcement from my local council that only polite people will get their rubbish cleared seems completely sane. The Liberal Democrat council has awarded the contract to wake everybody up at five o'clock in the morning to a new company and the changeover has resulted in a few "teething problems": some people's rubbish has been sitting outside their houses for five weeks. But this is no excuse, says our council leader, for bad manners; people who have been rude or abusive to the council in their complaints will have to wait even longer. We, in our road, have had no problems at all so I presume one of our polite neighbours said "please, pretty please".

The same technique, however, does not seem to be working in the neighbourhood's campaign to stop a cattery being opened

in the street. A couple of years ago, a tiled lady died and left her house and rambling garden to cats. Someone in the planning department obviously has a soft spot for moggies as signs are that permission to convert the house to a cattery will be given. Petitions are flying around the road, while a local barrister is spearheading the protest campaign so it is at the risk of being lynched that I refuse to sign the petition. I think the whole thing is wonderfully eccentric, and if councils are going to start letting projects like this through, it might be an indication that they are showing some signs of aesthetic discrimination and will stop giving permission to pitch-roofed supermarkets and all those hideous red-brick housing developments that are defacing the riverside. So there.



## If Blair has a plan for electoral reform, he should let us know



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Tony Blair's maidenly modesty on electoral reform sits ill with his talk of "tough choices". He, or sources close to him, have let it be known that he is leaning towards the Alternative Vote in elections to the Westminster Parliament. That cumbersome phraseology is necessary, since the Government has unembarrassedly announced it favours proportional representation in the Scottish and Welsh assemblies. Any indication that Mr Blair is overcoming his doubts on the subject of general electoral reform is welcome. But a more forthright approach is needed. For example, publishing a timetable would at least permit reform in the House of Commons to be aligned with reform of the House of Lords.

Similarly, it would be good to see some sign that the rich experimental evidence from the proportional systems about to be introduced in Scotland and Wales (and London?) and the forthcoming European parliamentary contest will be compared and evaluated by someone at the centre.

Electoral method matters. Yes, this is a subject which excites political snarls, but it is important to register that "alternative votes" are not necessarily a way of ensuring a fairer representation of public opinion in the legislature. They do ensure a fairer procedure for choosing representatives in any given constituency – anything that increases the sum of fairness in our democracy must win approval on that count at least. But there are some who seem to believe that electoral reform is a goal in itself. No: elections are a means. What matters is that the decisions taken by the legislature are fully representative and that they are taken in conditions of maximum trust between government and governed. It also matters that the executive is formed from the group most broadly supported by the populace. We believe that proportional representation is likely to ensure both those overlapping goals.

How to get from here to there? Labour is due soon to announce that the

commission it has promised will come up with a recommendation for voting reform. A candidate to head that body is Lord Jenkins, the Liberal Democrat panjandrum who, it is said, might approve the Alternative Vote as a kind of instalment, with full proportional representation being implemented later, perhaps in a second Labour term or at some other, further-off date. Meanwhile Mr Blair would maximise agreement around AV.

As a scenario, that has some merits, not the least of which is that it does offer a timetable for change. People are going to need a great deal of electoral education. British voters are conservative in more than one sense, however much they may tell pollsters they think the distribution of seats as against votes unfair. There will need to be a conscious and determined effort to shape opinion around a reform plan.

Timing is critical. The way in which the House of Commons is returned cannot be isolated from the methods used to return

a second, deliberative chamber. A second chamber elected proportionally could co-exist happily – and fairly – with a lower chamber elected on first-past-the-post principles or AV. If, however, the second chamber is stuffed with party appointees, the case for a fully proportional multi-member system in constituencies becomes considerably stronger. The essential point to keep in mind is broad-gauge fairness, balanced against workability; in other words, how any reform might better reflect those positions and people who are at present disenfranchised, while maintaining effective government.

Both reformers and electoral conservatives need to recognise that change will be dynamic, affecting the popular bases of the political parties themselves. To say that the Liberal Democrats or Labour "would have done better" had the 1997 general election been held under PR is meaningless. No one knows what the consequences of any particular reform will be.

precisely. Mr Blair seems to be moving towards electoral reform on the ground that it will consolidate left-of-centre government for ever more. But the beauty of proportional representation is that it can break up monoliths. The rats fighting in the Tory sack escape and stand on their own hind legs. And for all the amity in Brighton last week, is it not possible that a harder left perspective deserves political articulation?

Mr Blair is entitled to his doubts, and to time for reviewing evidence, but he must not allow this discussion to be conducted so disjointedly. A commission which is "meant" to produce a previously agreed result is hardly worth having. If the Alternative Vote for Westminster is what Mr Blair thinks is right, he should come right out and say it. If not, then the kind of piecemeal briefing on offer this weekend serves only to muddy the water and compromise whoever is asked to head the reform commission.

Post letters to Letters to the Editor  
and include a daytime telephone number.  
Fax 0171 393 2056; e-mail: letters@independent.co.uk.  
E-mail correspondents are asked to give a postal address.  
Letters may be edited for length and clarity.

## LETTERS

### NHS funding

Sir: The spectre has again been raised of "the end of our free health service" (3 October). The inadequate resourcing of the National Health Service is plain to all. We have surgeons and anaesthetists standing idle, operating theatres standing empty, and patients standing waiting – because we cannot afford to pay for their operations and we will not pay nurses to look after them.

So who should pay? Either those who are earning must pay from increased taxes, or those who are ill (and therefore often not earning) must pay by the introduction of charges.

If our leaders insist on their dogma of reducing taxes, it will be the patients who are charged, placing the burden on the weak, and widening further the gap between the haves and the have nots.

If Frank Dobson really is committed to Labour's promise that access to the NHS must be based on need and not ability to pay, then let him make it clear that access for those who are in need must be funded by those who do have the ability to pay.  
HUGH J THOMSON  
Consultant surgeon  
Birmingham

Sir: Your report (3 October) suggests that there has been little public protest against the imposition of NHS charges for dental care and eye tests. Nothing could be further from the truth.

Patients and professional groups have consistently opposed this form of NHS charging, on the grounds that it is the most vulnerable members of society who suffer. Recent evidence suggests that since the introduction of charges for eye and dental checks, there has been a reduction in uptake among the people who need these tests most. Opinion polls have shown that the Liberal Democrat policy of funding eye and dental tests from revenue raised by a tax on tobacco is one of the most popular planks of our health policy.

The current rumours of charges for core NHS services such as GP visits and X-rays are extremely worrying for the chronically ill. The Government refuses to allay their anxiety by ruling out the possibility of charging the old and the sick for NHS treatment, yet



it has ruled out the option of tax increases for the relatively well-off to ensure that our hospitals are adequately funded through the coming winter and beyond.

Dr EVAN HARRIS MP  
(Lib Dem, Oxford West and Abingdon)  
House of Commons  
London SW1

Sir: Your article on charging patients fails to acknowledge that the health service has not been free since the Labour government introduced charges for prescriptions and dental treatment in 1951. The introduction of charges led to the resignation of the founding father of the NHS, Nye Bevan, and of the young Harold Wilson.  
JOHN HUNT  
Chief Executive  
British Dental Association  
London W1

Sir: You quote "experts" as say-

ing that "charging has already been introduced for dental care, eye tests and long-term care for the elderly... with little public protest". Your expert sources have overlooked the outcome of the last election.  
JON GRAY  
Bath

### Man management

Sir: Price Waterhouse has got it badly wrong ("Want to know what's really holding back your business?", 2 October). People are not barriers to change – they are the only parts of a business which can make change happen at all.

The real problem is that senior managers often ignore the knowledge, understanding and needs of their employees when planning change. It's not surprising if employees and middle managers are not committed to change if this is presented to them as a fait

accompli from above. Change, for most people over the last 10 years or so, has meant adjusting to new jobs, developing new skills, relocating, downsizing, new contractual terms, new and more challenging ways in which performance and reward are affected. Difficult factors to come to terms with.

It's also not surprising if the people who make such a botch of the job of change blame those below them. But the real fault lies at the top – poor change strategies. And the answer is surprisingly simple. Consult, consult, consult: with your staff, your customers, with everyone who might be affected. It makes for a longer and more difficult process initially, but it works far better in the end.

Dr PAUL GRISERI  
Principal Lecturer in Management  
London Guildhall University  
London EC2

### Positive bias

Sir: I have been a member of Mencap for over 40 years but I think that in recent years the executive have lost their way. Your report "Mencap battles to combat bias" (4 October) makes me despair. Mencap's chief executive, Fred Huddell, says: "People with learning disabilities are discriminated against in employment, when on holiday, through leisure and with a variety of services such as housing, the NHS and the criminal justice system."

Discrimination is appropriate and necessary in the interests of many people with a mental handicap. For example, my 45-year-old son has the mental age of a three-year-old: he cannot speak, he has some neurological impairment, his behaviour can be very erratic and challenging. To satisfy his needs requires discrimination in a manner that is not appropriate

for his normal siblings. There are many thousands like him.

There is a world of difference between handicapped people and the larger number whose disability is relatively slight. The World Health Organisation classification of a number of learning disabilities specifically excludes conditions which are attributable to mental retardation. I am not surprised that 50 per cent of the public use the term "mentally handicapped". I find that groups of parents and relatives usually use the term just because it is more precise and not euphemistic. Changing names does not change reality.  
MURIEL BROOK  
Dorking, Surrey

### Minimum wage

Sir: John Monks, leader of the TUC, was right to stress that young people aged under 25 would become alienated if they were either offered a lower

minimum wage or excluded from the system (report, 2 October). There is also no significant support for such an approach.

In a survey we have just published, only 3 per cent of the 296 employers who responded thought that the adult minimum rate should start from an age above 21. Half our sample opted for 18 or younger. There was also a consensus that those below 18 should be paid a lower minimum rate, rather than excluded from the system.

Our survey was heavily skewed towards small private-sector firms, in industries such as manufacturing and retail, operating in a relatively low-wage part of the country. These are the very people, along with low-paid workers, who will be affected by the minimum wage.  
JONATHAN FRY  
Director, Yorkshire & Humber Low Pay Unit  
Bulky

### Forest management

Sir: David Robinson (letter, 2 October) is right to say that we should look nearer to home for ways of preventing the sort of ecological disaster that has struck the Indonesian forests, but wrong to call for a boycott of tropical hardwood products.

Tropical hardwood is a renewable resource, which provides an important and legitimate source of income for many equatorial countries. Making window frames from it does less damage to the environment than making them from aluminium or PVC.

The important thing is to ensure that the hardwood is harvested under conditions that allow the natural regeneration of the forests. It is perfectly possible to produce timber profitably under such conditions, and it is for us as consumers to insist that any products we buy are produced from properly managed forests.

BILL QUANTRILL  
Bradford-on-Avon, Wiltshire

### Postponing 2000

Sir: Sean Woods (Letters, 4 October) suggests that we should reset calendars to the year 1900 in order to defeat the computer industry's impending millennium doom. I propose an alternative: recycle the year 1999.

The advantages of recycling are obvious; the millennium will not arrive until the computer industry is able to cure all its ills, the Government will be able to achieve all its year 2000 targets, the Millennium Dome will be completed in time and everyone will have sufficient opportunity to plan for the big event.  
STUART BULL  
Gainsborough, Lincolnshire

### Bad boys of politics

Sir: Are we all to wear parsonical black and not listen to the bad boys in the back making naughty remarks which distract us from the propaganda path to the New Labour Jerusalem? ("Strong words earn Banks a final yellow card", 2 October). How many of us prefer some realistic cynicism to flavour our politics?  
Dr MARTIN ROSENDAAL  
London NW5

## They were both talking to me, really – even after I had left the bar



MILES KINGSTON

"Hotels? I know all about hotels. I've stayed at more hotels than I have had hot dinners," said the man at the bar. "Know what that means?"

"If that means anything," said the landlord, "it means that some of the hotels you stayed at didn't offer hot dinners."

"It means," said the man, "that I know about hotels."

"Of course," said the landlord, "it could mean that they offered very good cold buffets. Nothing wrong with a good cold buffet."

They were not actually looking at each other. They were looking at me, the only other person present. I was valuable to them. Not only was I clearly not about to threaten them by speaking, I was also the only potential audience.

"Maybe I have been to more hotels than I have been to other people's houses. Would that surprise you?"

"Personally," said the landlord, who was off on his own track by now. "I'd rather serve a cold buffet than a hot dinner any day. It's very hard keeping a dinner hot. It's no problem keeping a buffet cold."

"The first time I stayed in a hotel," said the man at the bar. "I was so young and so green that I thought the notice saying 'Private Functions' was a signpost to the lavatory!"

He laughed and chuckled at me. I smiled thinly, like a wary waiter.

"Of course," said the landlord, rumi-  
natively. "It's a misnomer to say that a cold buffet is actually cold. It's just room temperature, that's all. The meat in a cold buffet is no colder than the bread or the napkins, but we don't say it's served with 'cold bread', do we? Have you ever heard anyone asking for cold bread? Have you ever had cooked ham or salad sent back because it was not cold enough? Of

course not. A cold buffet is a total misnomer. On the other hand, who would pay good money for something advertised as a 'room temperature buffet'?"

"One thing I can tell you about and that is hotels," said the man desperately. "From Berlin to Mostar, from four star to no star, I've known them all."

"Is that a line from a musical?" I asked. That brought a temporary stop to the conversation. The landlord and the man at the bar had both been addressing me.

hoping to enlist me as an ally in their monologue. I was like a man doing the splits. Before I did myself an injury, I would have to opt for one or the other. I wanted to opt for the landlord, but curiosity made me opt for the man at the bar.

"Could be," he said evasively. "Point is, I have been around hotels long enough to see changes happening which you could never have dreamt of. When I

started staying at hotels, you still left your shoes outside the bedroom door to be taken away and cleaned by the boots boy. You still got the early morning cup of tea brought to you. You still got wooden hangers in the wardrobe."

"Of course," said the landlord, "not only is 'cold' a bit of a misnomer, but 'buffet' is as well. 'Buffet' really means 'sideboard' in French, did you know that? And we don't even pronounce it properly any more. In French they pronounce it boo-fay, but in Britain we call it a buffet."

"Do you know what would happen if we left our shoes outside the door in a hotel these days?" said the man at the bar.

"They'd get thrown away. They'd think you were trying to get rid of them. If you want them clean, you have to keep them and polish them yourself. That's the trend in hotels these days. Do It Yourself!"

"Every time they make an announce-

ment on the train I shudder. 'The buffet is now open for the sale of hot and cold drinks, blah, blah.' Buffet, my foot! Makes it sound like one of those old regimental nicknames. Buffet Orpington-Smythe."

"They give you the tea bag and you have to make your own tea. They give you the wardrobe with those ghastly hangers and you have to work out how they hang up. And what irks me is that they make you do it yourself and then call it service!"

"No, I tell a lie. Buffet isn't so much regimental as a name straight out of Wodehouse. There's another thing. Why is that name written Wodehouse and pronounced Woodhouse?"

When I crept out of the pub and looked in at the window as I passed, I could see that they were still both addressing the space where I had been. As the man said, pub conversation is two or more one-man hands playing at the same time.



# As the season of suffering looms, doctors should be brought to account

POLLY  
TOYNBEE  
THE HEALTH  
OF THE NHS

The British Medical Association says the NHS has moved onto a war-footing for the winter. To frighten the living daylights out of everyone, the doctors are proclaiming that it may soon be necessary to charge £10 for a visit to your GP or hotel charges for a hospital bed - unless the money is raised from increased income tax.

They don't mean it, of course. But it's a way to focus attention on the underfunding of the NHS. An annual blast from the BMA heralds in the winter - season of flu, pneumonia and cold weather-induced coronaries. Trolleys will soon be piling up in accident and emergency corridors again (except where clever hospitals put thick mattresses on their trolleys, rename them beds and wheel them into side rooms called emergency wards).

So how bad is the crisis? The NHS needs and expects 2.5 to 3 per cent a year above inflation, which is roughly what it has had over the 10 years. But that is not what it is getting this year, next year or the year after. Debts are piling up and so are waiting lists.

A lot of what the Tories used to call "noise" will be heard from hospitals soon. Doctors will wave shrouds with pleas for more money and some of those shrouds will be real. More money must be found because people love the NHS and if asked in the right way, would be prepared to pay more, whatever Gordon Brown imagines to the contrary.

But that is only part of the story. Despite reforms and although Britain's system is leaner than most other countries, there is still a great deal of money to be saved and spent better in the NHS. And much of the wasted money is due to doctors' behaviour - the BMA's own members.

It is not that they don't work hard - most do, very hard indeed. But the independent hegemony of doctors means they still effectively (or ineffectively) control the way money in the NHS is spent, and they don't do it well. Tackling the power of the medical profession is something no government has ever managed to do: "If Frank Dobson tries it, they'll saw his legs off," said one health economist gloomily.

There are huge variations in what doctors spend, how they prescribe, and how good they are at what they do. Just one example: colo-rectal cancer survival rates depend entirely on the skill of the surgeon, yet some surgeons have six times the survival rate of others. That kind of variation is repeat-



Doctors in clover: James Robertson Justice and Leslie Phillips treat Fenella Fielding in the 1966 Ralph Thomas film Photograph: Kobal

ed time and again right across the NHS. Yet most doctors have little idea what their own success rates are, or how they vary from the best and there is still no clear way of forcing underperformers to change.

The mighty Royal Colleges hold the key. They set the exams to certify consultants' proficiency and then hand out licences to practice for life. While airline pilots retrain every six months, with their competence tested on simulators, consultants never do. It's left up to them. (At least pilots usually die with their mistakes, while doctors bury theirs.)

A new system now asks consultants to fill out forms showing they've done 50 hours a year of Clinical Audit. That means showing they have taken off time to discuss their work with colleagues or attend conferences. (Beanoes in the Bahamas to conferences on irrelevant topics also count.) As serious retraining, this system doesn't even begin, although it costs the NHS £200m a year in consultants' time off. While some doctors are deeply serious, following every new development, most haven't a clue how they are doing. Among surgeons, only 70 per cent bother to fill out the voluntary Continuing Medical Education forms, declaring what retraining they have done each year.

Evidence-based medicine is the great buzz-phrase at the moment - but how can doctors follow best practice

if they don't know what it is? (A recent survey showed consultants were remarkably ignorant of the findings published in the *British Medical Journal*, which they claimed they depended on. Even specialists could answer few questions on the findings of their specialist journals.) The mighty Royal Colleges have always done the absolute minimum in obliging their members to keep up to date. The Royal College of Surgeons refused to insist their members were trained to use keyhole surgery when it began: many died and were maimed

**'If Frank Dobson does it, they'll saw his legs off'**

while surgeons learnt this new craft on patients instead.

The colleges operate like masonic lodges with vast assets, yet draw rich state subsidies because they are charities. They decide what consultants are paid through the merit award system. Behind closed doors, they dole out awards of between £20,000 and £60,000 a year, with no objective tests. There is no way of knowing if they give this NHS money to the most efficient doctors rather than to their cronies because there is no public scrutiny. But that money could and

should be used to make doctors strive publicly towards cost-effectiveness and excellence. Will ministers dare take on the Royal Colleges, these bastions of the old world?

If they could get their hands on doctors, they could also change prescribing habits: 13 per cent of the NHS budget goes on drugs. Although it has improved, doctors still prescribe very expensive, heavily advertised brand-name drugs over identical generic drugs. If pharmacists were allowed to substitute the cheaper identical generics, £50m would be saved. Doctors should also have to write on prescriptions what the drugs are for, so it can be checked if drugs are inappropriately prescribed.

Instead the demand for surgery rocketed, showing that whatever politicians say, waiting lists can be a good thing. (Health auditors increasingly suggest that much surgery may be unnecessary, marginal or ineffective.)

Despite the reforms, doctors still control most of the resources within the NHS. Indeed, they should, but not haphazardly. They should participate in rational management decisions taken on the basis of the best available knowledge. All professional groups guard their independence fiercely, but the NHS is a collective enterprise. Will Labour dare step in to make sure doctors' own priorities no longer warp the way money is spent in the service?

Yes, the NHS does need more money. But it is questionable whether the doctors are the best people to make the case until they use their own professional institutions to insist on the very best value from each of them.

Everyone (except the consultants) agrees that money needs to be directed away from the galloping acute services into treatments to stop people becoming acutely ill. But there is a never-ending demand for surgery, with doctors as bad gatekeepers. When day surgery and keyhole techniques came in and more people were treated quicker and better, there should have been money saved to spend elsewhere.

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## The sterling-burning, death-dealing Dove

JOHN  
RENTOUL  
NAMING THE  
EUROFIGHTER

Is there a euphemism for a weapon of powerful destruction that works equally well in English, German, Italian and Spanish? The Ministry of Defence is looking for a better name for the Eurofighter, the four-nation jet which comes into service in 2002.

You can see why they don't want to call it the Eurofighter. Anything with a Euro-prefix has become suspect and with the launch of the euro currency a few months away, it would serve to emphasise how expensive the plane is. You might as well call it the Sterling-burner or Pesetapopper. The RAF does not want to draw attention to the fact that its £42bn budget for these things is exempt from the defence review.

Then there's the "fighter" part. It is a bit direct, isn't it? The military prefer names which emphasise defence, security and generally not lashing out unless one is attacked first. "Flying fortress" was a classic example, coined for the entirely offensive B-17 long-range bomber when it was ordered by the isolationist US Air Force in 1936.

So it cannot be an honest name in the Spitfire tradition, or a video-arcade-game-made-murderous-name like Deathblaster or Aerial Killer.

The new name, says Group Captain Terry Hanlon, should "capture in some way the essence of the aircraft" while not forgetting that much of its work will be "peacekeeping". This would seem to rule out variations on the extreme weather theme: Hurricane, Tornado, Lightning. Unfortunately the German for lightning, Blitz, entered all European languages with a brutally appropriate meaning. Names, says the group captain, should avoid historical difficulties between

nations. Back to the euphemisms then.

Peacekeeper has already been used: it was a gun much used for killing people in the lawless American West. Pacifier would be no good, conjuring images of a flying baby's dummy. Perhaps Curfew would fit in with the British government's emphasis on domestic law and order. Or Curlew, as we must assume that the bird-of-prey theme is also out of bounds. We are not looking to continue the line of Harriers and Hawks, while Dove might be a euphemism too far.

The rest of the animal kingdom has proved a rich source of military analogy in the past. American attempts to abandon names altogether for the dispassionate precision of code numbers and letters were undermined when the F-14 was simply nicknamed the Tomcat. Older, gentler names, the Sopwith Camel and the Tiger Moth, are too sleepy for the jet age.

So it is back to Greco-Roman gods, then, although they have tended in the past to be recruited to the heavier end of the market, the Hercules and the Vulcan. And it is the goddesses we need to concentrate on, because this name has to be politically correct, and the boys have been naming their toys for far too long.

Masculine irony reached its peak with "Little Boy", the atom bomb dropped on Hiroshima, and "Fat Man", the bigger one which flattened Nagasaki.

But the outcry over the idea of renaming Heathrow Airport after the Princess of Wales has ruled out the most obvious candidate from Roman mythology, while the Greek Artemis doesn't have quite the right ring to it.

Perhaps the Procurement Executive would consider onomatopoeic abstractions, like modern motor car names. Or sardonic phrases like "tube alloys", used as a code-word for the British nuclear weapons programme. Suggestions on a postcard to the Ministry of Defence Procurement Executive, Bristol.

## You're not alone. Conservatism is everywhere in decline

DAVID  
WALKER  
THE RIGHT  
IN RETREAT

Querulous Tories gathering in Blackpool today, take comfort. You are not alone in your woe. As an ideological formation, as a body of values, as a party political force with a lien on the future, conservatism is in worldwide crisis.

On the Continent, where governments of the left hold sway from Lisbon to Helsinki, the conservative banner is shakily held aloft only by José María Aznar in Spain and - wait for it - by Helmut Kohl in Germany. Meanwhile, the once-attractive (to conservative authoritarians) tiger economies of the Far East are in trouble.

Last week in Washington despised Republican firebrand Newt Gingrich starred at a great jamboree under the rubric "Why conservatism is failing". Not enough backbone, opined Lady Thatcher, not enough Biblical Christianity, said the fundamentalists (their reading of Leviticus preferring the condemnation of homosexuality to that of usury). The upshot was disagreement all round over how much freedom, how much government and, inevitably, how much sex. (Those who say William Hague's bedroom arrangements at Blackpool are a non-issue could not be further from the truth: the bedroom is where

much modern conservative thinking mostly takes place.)

It is not just the United States. Worldwide conservatism confronts two huge historical problems. One is that socialism is dead, killed by the triumph, practical and intellectual, of capitalism. If, as Ian Gilmour argues, conservatism has always been essentially contrarian - a way of stopping things you did

**'One of the few issues the Tories can muster around is the defence of a barbarous countryside pursuit'**

not like happening - then the demise of anti-capitalism poses a perhaps insurmountable challenge.

To say conservatism's historical fox has been shot is precisely to capture its latter-day problem - one of the few issues the Tories can muster around is the defence of a barbarous countryside pursuit.

The other problem is big if not new. It is (despite Frederick Hayek's valiant efforts to join them) that conservatism and capitalism are in large measure mutually incompatible, even antagonistic. Until

propagandists such as Milton Friedman convinced the world otherwise, conservatism never really claimed to know much about or even care much about the operations of the capitalist economy. Capitalism is inherently dynamic, destructive, anti-conservative. How to square the circle? The terrain of much of modern politics is the "social" yet it is here that Thatcherite conservatism exposed its limits.

That now notorious aporism about there being "no such thing as society" at a stroke robbed the

Tories of plausibility when it came to worrying about social facts, such as crime, which clearly are more than individual wickedness. Margaret Thatcher was able to bulldoze through the intellectual inconsistencies by sheer force of personality and the tendency for her noisy clique in Britain's extensive right-wing press to play the three wise monkeys where she was concerned. But with weaker leadership the seams have come apart.

How can you cry doom and destruction about working mothers, the changing domes-

tic division of labour (perennial bugbears of the Tory think-tanks) without simultaneously deploring the free-market economic progress which is part cause and part consequence of such changes? How can you claim to be an individualist in economics while wanting to suppress individual choice (for example about drugs or sexuality)? Roger Scruton tells the Tories it is time "to ease describing social changes as though they were inevitable and steel ourselves to condemn them", but he does not remind them how few votes Savonarola got.

From America comes the despairing cry that conservatism's winning issues ought to be morality and nationalism. The first boils down into a hope for some spontaneous religious revival, but not, pray God, in the form of Islamic fundamentalism or wishy-washy New Ageism. Nationalism might fill the bill as a kind of ersatz religion, say the Americans, as if in complete ignorance of European history during the past century, let alone their own economic postulates for liberal economics.

None of that kills off conservatism as a practical political proposition, or the attachment to conservatism of

those foreign media moguls so powerful in Britain. As long as there are people who have and those who have not, a Conservative Party will have a chance. Even in a post-socialist age, people with money still care about extra pennies on income tax.

But conservatism needs to be about more than selfishness - how else in a touchy-feely age is it going to appeal to younger people, as the authors of today's Centre for Policy Studies pamphlet, *Blue Skies Ahead*, recognise. (Their problem is that the ideal party they describe, welcoming to blacks, gays and women, looks disconcertingly like the Blairite Labour Party.)

Besides, the old nostrums just don't seem to work any more. Cutting government back does nothing reliable for economic growth or social stability. Even property owners - especially property owners - recognise that a programme for getting young people into work is likely to do as much for crime and social peace as increased spending on additional police officers. Like Nixon in China, parties of the left are likely to prove much better at rehabilitating welfare than parties which cannot see that reforming conservatism is an impossible oxymoron.

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## Smaller stocks join great Footsie runaway but fund managers are cautious

WEEK AHEAD



DEREK PAIN

STOCK  
MARKET  
REPORTER  
OF THE YEAR

The astonishing EMU-inspired stock market bonanza is not, surprisingly, forcing many of the City's crystal-ball gazers to lift their Footsie forecasts.

Since the FT "leak", Footsie has climbed, comfortably absorbing the inevitable profit-taking, by 265 points.

And, for once, the action has not been confined to blue chips. The FTSE 250 MidCap index has stretched to new peaks and even the third and fourth-liners making up the FTSE SmallCap index have started to move ahead although the art of achieving new highs is still proving elusive.

The undercard's poor display for most of the year has been a mystery. It could, in part, be due to the growing influence of overseas investors who are reluctant to play outside the perceived safety of established blue chips.

It is, perhaps, the activity of foreign investors which has wrong-footed so many home-grown fund managers. As the blue-chip bull run has gathered pace, Tony Dye at PDM fund management group has resolutely stuck to his cash-is-best argument and missed most of the fun and profits.

Now it emerges that another fund manager, Gartmore, has been journeying on the same bearish bandwagon as "Red" Dye. It has raised its liquidity to 17 per cent, much more than the industry average. And it plans to continue to run down its equity exposure because the joint chief executive and chief investment manager, David Watts, anticipates a bumpy road ahead with the market declining sharply.

Other leading fund managers are cautious. Mercury Asset Management is not

thought to be renowned for its bullishness.

It is quite clear many fund managers have expensively misread the equity market. Cynics might be forgiven for suggesting that is why so many of them continue to express their preference for Government stocks in the monthly Merrill Lynch survey.

The rush to demutualise has had a dramatic impact on Footsie with fund managers, particularly those running index trackers, forced to buy financials to retain the balance of their portfolios.

But while many fund managers have cast a jaundiced eye over equities, the Johnny Foreigners have been buying and buying. They regard London shares as cheap, a view supported by US investment house Goldman Sachs, which said last week: "Valuations on

UK equities have become even more attractive." Its strategists, Jeffrey Weingarten and Neil Williams, are convinced the so-called EMU display was justified. Goldman Sachs is also bullish on New York, seeing the Dow Jones Average at 9,000 at the year end.

Bob Semple at NatWest Securities has lifted his end-1998 estimate to 5,700 and has

had a shot at predicting Footsie at the turn of the century - 7,000 points is his estimate. BZW is shooting for 6,000 by the end of next year.

Just how strongly blue chips have run ahead of expectations can be judged from Mr Semple's January prediction. Then he said Footsie would end the year at 4,600, and at the time he was one of the most optimistic forecasters in sight.

Although there is a growing enthusiasm over longer-term prospects, a few observers nurse nagging doubts about the remaining months of this year. Higher interest rate fears lurk. US rates are expected to increase soon and there could even be a domestic hike this week. So fairly subdued year-end Footsie forecasts, such as the revised Semple estimate of 4,800, continue to be heard.

The market is unlikely to

draw much support from this week's batch of company results. The list is thin with the

titles of supporting retailers providing much of the action. Attention will focus on the House of Fraser department stores chain. An interim loss, say £3m, is expected. The group has been a disappointment since arriving at 180p three years ago. The shares ended last week at 206.5p.

New management under John Coleman has been installed. It is still wrestling with problems it inherited. In April Mr Coleman described some of the merchandise HoF was contracted to buy as "crap". There is enormous scope for recovery and hopes are high HoF will be in profits in the second half of the year. Morgan Stanley's Julie Ramshaw is looking for year's profits of £28.7m; NatWest's John Richards is on £33m.

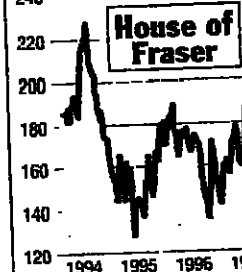
Thorntons, the chocolate group, should continue its revival with year's profits, before exceptional, of £11.5m. Goldsmiths, the jewellery chain, will produce a small first-half loss - nothing unusual as most of its profits are made in the run-up to Christmas.

JJB Sports, one of the bustling sports retailers, should score with interim figures. The creation of former professional footballer Dave Whelan, who broke a leg playing in the FA Cup Final for Blackburn Rovers, JJB has traded strongly and with store openings contributing, should produce re-sounding profits. Robert Miller at Dresdner Kleinwort Benson is shooting for £13m (£7.2m) and expects to increase his year's target of £32m.

Builder Keir is likely to produce interim profits of £8.4m (£7.3m).

## Share spotlight

share price, pence



Source: DataStream

Share Price Data											
Weekly						Monthly					
Index	Stock	Price	Chg	Ytd	Index	Stock	Price	Chg	Ytd	Index	Stock
21	Alcoholic Beverages	25.50	+0.00	0.0	100	51	Energy	18.50	+0.00	0.0	100
22	Auto	25.50	+0.00	0.0	100	52	Food Products	18.50	+0.00	0.0	100
23	Chemicals	25.50	+0.00	0.0	100	53	Health Care	18.50	+0.00	0.0	100
24	Electric	25.50	+0.00	0.0	100	54	Industrials	18.50	+0.00	0.0	100
25	Financial	25.50	+0.00	0.0	100	55	Media	18.50	+0.00	0.0	100
26	Food	25.50	+0.00	0.0	100	56	Pharmaceuticals	18.50	+0.00	0.0	100
27	Health Care	25.50	+0.00	0.0	100	57	Real Estate	18.50	+0.00	0.0	100
28	Industrials	25.50	+0.00	0.0	100	58	Technology	18.50	+0.00	0.0	100
29	Media	25.50	+0.00	0.0	100	59	Utilities	18.50	+0.00	0.0	100
30	Pharmaceuticals	25.50	+0.00	0.0	100	60	Other	18.50	+0.00	0.0	100
31	Real Estate	25.50	+0.00	0.0	100	61	Energy	18.50	+0.00	0.0	100
32	Technology	25.50	+0.00	0.0	100	62	Food Products	18.50	+0.00	0.0	100
33	Utilities	25.50	+0.00	0.0	100	63	Health Care	18.50	+0.00	0.0	100
34	Other	25.50	+0.00	0.0	100	64	Industrials	18.50	+0.00	0.0	100
35	Energy	25.50	+0.00	0.0	100	65	Media	18.50	+0.00	0.0	100
36	Food Products	25.50	+0.00	0.0	100	66	Pharmaceuticals	18.50	+0.00	0.0	100
37	Health Care	25.50	+0.00	0.0	100	67	Real Estate	18.50	+0.00	0.0	100
38	Industrials	25.50	+0.00	0.0	100	68	Technology	18.50	+0.00	0.0	100
39	Media	25.50	+0.00	0.0	100	69	Utilities	18.50	+0.00	0.0	100
40	Pharmaceuticals	25.50	+0.00	0.0	100	70	Other	18.50	+0.00	0.0	100
41	Real Estate	25.50	+0.00	0.0	100	71	Energy	18.50	+0.00	0.0	100
42	Technology	25.50	+0.00	0.0	100	72	Food Products	18.50	+0.00	0.0	100
43	Utilities	25.50	+0.00	0.0	100	73	Health Care	18.50	+0.00	0.0	100
44	Other	25.50	+0.00	0.0	100	74	Industrials	18.50	+0.00	0.0	100
45	Energy	25.50	+0.00	0.0	100	75	Media	18.50	+0.00	0.0	100
46	Food Products	25.50	+0.00	0.0	100	76	Pharmaceuticals	18.50	+0.00	0.0	100
47	Health Care	25.50	+0.00	0.0	100	77	Real Estate	18.50	+0.00	0.0	100
48	Industrials	25.50	+0.00	0.0	100	78	Technology	18.50	+0.00	0.0	100
49	Media	25.50	+0.00	0.0	100	79	Utilities	18.50	+0.00	0.0	100
50	Pharmaceuticals	25.50	+0.00	0.0	100	80	Other	18.50	+0.00	0.0	100
51	Real Estate	25.50	+0.00	0.0	100	81	Energy	18.50	+0.00	0.0	100
52	Technology	25.50	+0.00	0.0	100	82	Food Products	18.50	+0.00	0.0	100
53	Utilities	25.50	+0.00	0.0	100	83	Health Care	18.50	+0.00	0.0	100
54	Other	25.50	+0.00	0.0	100	84	Industrials	18.50	+0.00	0.0	100
55	Energy	25.50	+0.00	0.0	100	85	Media	18.50	+0.00	0.0	100
56	Food Products	25.50	+0.00	0.0	100	86	Pharmaceuticals	18.50	+0.00	0.0	100
57	Health Care	25.50	+0.00	0.0	100	87	Real Estate	18.50	+0.00	0.0	100
58	Industrials	25.50	+0.00	0.0	100	88	Technology	18.50	+0.00	0.0	100
59	Media	25.50	+0.00	0.0	100	89	Utilities	18.50	+0.00	0.0	100
60	Pharmaceuticals	25.50	+0.00	0.0	100	90	Other	18.50	+0.00	0.0	100
61	Real Estate	25.50	+0.00	0.0	100	91	Energy	18.50	+0.00	0.0	100
62	Technology	25.50	+0.00	0.0	100	92	Food Products	18.50	+0.00	0.0	100
63	Utilities	25.50	+0.00	0.0	100	93	Health Care	18.50	+0.00	0.0	100
64	Other	25.50	+0.00	0.0	100	94	Industrials	18.50	+0.00	0.0	100
65	Energy	25.50	+0.00	0.0	100	95	Media	18.50	+0.00	0.0	100
66	Food Products	25.50	+0.00	0.0	100	96	Pharmaceuticals	18.50	+0.00	0.0	100
67	Health Care	25.50	+0.00	0.0	100	97	Real Estate	18.50	+0.00	0.0	100
68	Industrials	25.50	+0.00	0.0	100	98	Technology	18.50	+0.00	0.0	100
69	Media	25.50	+0.00	0.0	100	99	Utilities	18.50	+0.00	0.0	100
70	Pharmaceuticals	25.50	+0.00	0.0	100	100	Other	18.50	+0.00	0.0	100

Prices are in starting column where stated. The yield is the latest monthly dividend divided from the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, excluding extraordinary items but including exceptional gains. All prices are Bloomberg's. Other dealer for rights is E-Stock & Futures.

Source: Bloomberg

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Share Price Data: Prices are in pence except where stated. The yield is the latest twelve months' declared gross dividend as a percentage of the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, excluding extraordinary items but including discontinued operations. For more details see page 10.

Source: Bloomberg

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Interest Rates

UK 7.00% Germany 2.50% US 5.50%

France 3.00% Japan 5.50%

Canada 5.25% Switzerland 5.00%

Denmark 3.75% Sweden 4.00%

Netherlands 3.25% Norway 4.00%

Spain 3.00%

Italy 5.00%

Greece 10.00%

Portugal 10.00%

Ireland 10.00%

Belgium 5.00%

Austria 5.00%

Finland 5.00%

Sweden 4.00%

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Belgium 5.00%

Austria 5.00%

Finland 5.00%

Sweden 4.00%

Norway 4.00%

Denmark 3.75%

Netherlands 3.25%



## Cable & Wireless seeks link with US telephones giant

Cable & Wireless has renewed its interest in forging an alliance with a US telephones giant, just as British Telecom's hopes of merging with MCI have fallen flat.

Chris Godsmark, Business Correspondent, reports on C&W's new moves to join Global One, the partnership between France Telecom, Deutsche Telekom and Sprint, the third-largest phones group in the United States.

Dick Brown, C&W's deal-hungry chief executive, is understood to have put joining Global One back at the top of the company's agenda in recent weeks. There had been intense speculation late last year that C&W would become part of the alliance, which offers international telecommunications services to large business customers, following British Telecom's landmark merger proposal with MCI.

Sources close to C&W said the group had decided to open a special office in Washington to lobby the US telephones regulator, the Federal Communications Commission (FCC). The regulatory team would work separately from C&W's exist-

ing US subsidiary, Cable & Wireless Inc., based outside the city.

The regulatory office, being created by Elizabeth Wall, C&W's head of regulation and legal affairs, would be used to encourage the FCC to push for more advantageous price regimes from US phone networks. But the move is likely to lead to speculation that C&W will try to tie up a deal with Sprint, France Telecom and Deutsche before the end of the year.

One suggestion was that C&W would seek the regulator's approval to take a stake in Sprint, the US's third-largest phone group, to mirror the 10 per cent shareholdings in the company already taken by

France Telecom and Deutsche Telekom as part of Global One. Previous rumours about a link earlier this year had suggested Sprint might even buy part of C&W.

Mr Brown, a former senior Sprint executive, has kept up a close relationship with the company. Observers close to C&W have suggested the two companies would have linked up long ago, but for the presence of France Telecom and Deutsche in Global One.

France Telecom, which is in the process of being floated by the French government, has also become more upbeat about C&W's prospects of joining Global One. At an investors' roadshow in London late last

month, Michel Bon, France Telecom's president, confirmed that "technical discussions" with the UK group were continuing.

He added: "There is an interest for us and an interest for them to consider a global alliance. So there has been talk all along on a technical level." The discussions involve the way the four companies' existing international interests would fit together and attempting to isolate potential conflicts of interest.

A move into Global One by C&W might raise eyebrows among industry analysts, when British Telecom's merger with MCI has been effectively killed by the higher \$30bn bid from WorldCom. C&W shares

soared after the news on suggestions that the company would renew the merger talks with BT which were broken off amid mutual recriminations last year.

A deal with Sprint would also be the culmination of Mr Brown's frenetic 15-month tenure at C&W, which has seen a string of deals that have boosted the company's reputation and share price. They include the merger of Mercury and three cable companies to form Cable & Wireless Communications, a £500m deal to buy into one of Australia's largest phone companies and the agreement with China over the future of HongKong Telecom. C&W's main cash earner.



Cars R Us: British motorists registered up to 160,000 new vehicles in September. Photograph: Keith Dobney

## September record for car sales as 160,000 are driven off forecourts

The car industry is today expected to announce record sales figures for September, around 15 per cent up on last year, as the surge in consumer confidence continues. Chris Godsmark reports.

The Society of Motor Manufacturers and Traders (SMMT) will reveal that between 155,000 and 160,000 cars were registered last month, an all-time record for September and well above last year's sales of 138,059.

Car makers are likely to hail the rise as another sign of the boom in consumer spending, as a combination of increased optimism and windfall payments from

building society sales and conversions feeds through to people's pockets. September 1996, in contrast, was a disappointing month for car sales, which fell 1.4 per cent.

But industry sources said today's figures would also reflect the fact that more than 10,000 registrations were understood to be left uncounted from the record August bonanza, when sales rose almost 10 per cent to 525,539.

Registration documents filed with the vehicle licensing body in Swansea, the DVLA, are passed to the SMMT, which compiles the sales figures. It is understood there was a big overspill from August this year, because either the DVLA or the SMMT, or both organisations, could not cope with the unprecedented volume of data.

The SMMT has moved to a computer-based registration system which has experienced some teething troubles.

Industry analysts are likely to raise their car sales forecasts for 1997 after today's statistics. That would take sales for the first nine months of the year to more than 1.75 million and suggest a total of nearly 2.2 million cars are likely to be sold this year, up from previous industry predictions of just over 2 million. It would still leave the car market below its 1989 peak, when 2.3 million new cars left the forecourts.

Today's figures will show a strong demand for imported cars, which accounted for more than 68 per cent of sales in the year to the end of August. Imports have risen steadily over the past few years as consumers show a preference for foreign brands.

## Measurement of jobless total to be improved

No economic statistics are more sensitive or less trusted than the unemployment figures. The Office for National Statistics will this week announce big improvements to the measurement of the jobs market. Diane Coyle, Economics Editor, reports.

In its dying days the Conservative government enjoyed one bright spot each month with the announcement of a big fall in headline unemployment. The trouble was that nobody believed the figures. Even on its own admission, there had been 10 changes to benefit rules since 1979 which had tended to reduce the number of unemployment benefit claimants, and critics counted far more fiddles than that.

On Thursday the Office for National Statistics is due to announce a series of improvements to the monthly figures on the state of the jobs market, to be implemented when the unemployment numbers for September are published next week.

The announcement will not, however, include a switch from the flawed claimant count measure to a full monthly survey of unemployment and employment. This option, preferred by many experts, would cost £8m to £10m a year for relatively little new information.

However, the ONS is expected to introduce a monthly measure of unemployment based on the current quarterly surveys, at an additional cost of around £250,000.

Following consultations during the summer, it will also

shape its presentation of the mass of information available on the jobs market to reflect better the concerns of the Government. In particular, it will give more prominence to the results of the detailed quarterly Labour Force Survey, merging them with the claimant count unemployment measure and other information such as earnings and vacancies.

As the ONS put it in its announcement of the consultation exercise, the point is to "allow the broad analysis of the labour market to stand out more clearly".

It is likely to introduce figures showing quarterly changes in unemployment for "a number of groups with differing degrees of attachment to the labour market", which could include groups of particular interest for Government policy, such as young people. There will also be an analysis of part-time and full-time employment, temporary versus permanent jobs, and economic inactivity by reason (such as full-time education).

The changes, due to be announced in the ONS's monthly publication, *Labour Market Trends*, will be welcomed by economists and other experts who rely on the figures. The ONS will describe the improvements as a matter of better presentation, but even so they will help to depoliticise one of the most important indicators of the health of the economy.

Although the new emphasis on the survey-based measure, which conforms to the internationally accepted standard, will "add" hundreds of thousands of people to the unemployment total, joblessness on both measures is currently falling rapidly.

The Government is still considering how to implement its manifesto pledge to create an independent official statistical service.

## Full employment by 2001 is on the cards

The Chancellor of the Exchequer last week promised a return to full employment. A new report claims this point could be reached by 2001, thanks to Conservative economic reforms.

"Full employment is not yet in the bag," said Douglas McWilliams, of the Centre for Economics and Business Research (CEBR). But his consultancy's latest forecast predicts that joblessness will fall to 1.1 million, or 3.9 per cent of the labour force, by the end of 2001.

Given the usual margins of error, that implies a fair chance of unemployment falling below the 1 million mark for the first time since 1975.

The centre has become more optimistic about the level of unemployment that can be achieved without kindling inflation, which is how economists define "full" employment. Professor McWilliams says: "The UK's economic structure has improved and the labour market has become more flexible in the past 20 years."

Figures due next week are expected to show a further drop in the headline number of people claiming unemployment benefit in September. The total de-

clined for the 18th month running in August, dropping by 48,600 to just under 1.5 million. Yet the latest earnings figures show pay growing at a modest annual rate of 4.5 per cent in July, having drifted upwards only gently during the past two years.

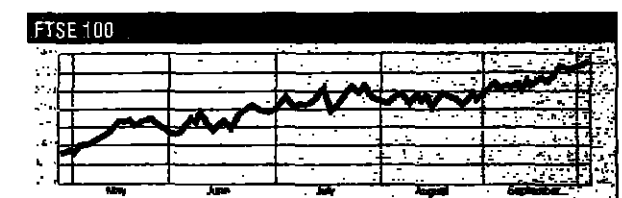
The CEBR forecasts a drop of 400,000 in the number of people without work during the next four years. But this optimistic outlook assumes the Government continues to be lucky in facing no external inflationary pressures.

Gordon Brown deserves praise for not only sticking to the previous government's anti-inflationary policy but also enhancing it by making the Bank of England independent, the report says. On the other hand, it claims Labour's new policies, including the windfall tax-funded welfare-to-work schemes, signalling the European Social Chapter and national minimum wage, will tend to raise rather than reduce joblessness.

According to Professor McWilliams, if Mr Brown does claim the credit for full employment, "in his heart he will know that his predecessors have been largely responsible".

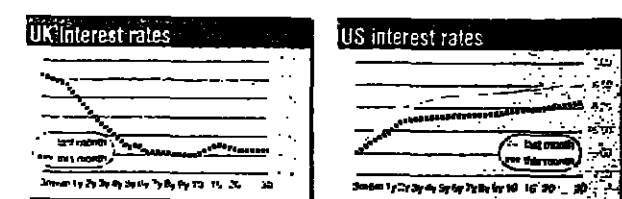
—Diane Coyle

## STOCK MARKETS



Index	Close	1% chg	1% chg	52 wk high	52 wk low	Yield (%)
FTSE 100	5330.80	104.50	2.00	5317.1	3900.4	3.290
FTSE 250	4883.90	74.80	1.56	4851.3	3438.7	3.386
FTSE 350	2555.30	48.10	1.92	2545.6	1949.2	3.362
FTSE All Share	2492.41	46.55	1.90	2482.39	1925.79	3.294
FTSE SmallCap	2360.8	39.70	1.71	2374.2	1128.4	3.176
FTSE Realind	1301.9	20.80	1.62	1346.5	1198.7	3.291
FTSE AIM	1005.4	14.00	1.37	1138	1002.1	0.979
Dow Jones	8228.58	116.40	1.41	8258.31	6242.07	1.655
Nikkei	17547.45	347.26	1.99	21612.3	17203.05	0.988
Hong Kong	15128.02	417.15	2.84	16673.27	11955.51	2.734
Dax	4273.71	182.93	4.73	4438.93	2659.25	1.866

## INTEREST RATES

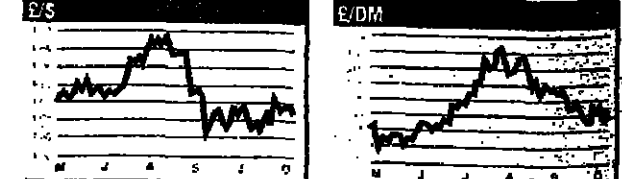


Money Market Rates	1 month	3 month	6 month	1 year	10 year	15 year	Long bond	1 yr chg
US	7.33	7.38	7.57	7.57	6.21	6.16	6.29	-1.54
UK	5.75	5.14	5.97	5.97	5.98	5.98	6.20	-1.65
Japan	0.53	0.04	0.58	-0.08	2.03	-0.82	2.68	-0.75
Germany	3.40	0.29	3.76	0.50	5.40	-0.57	6.03	-0.81

## MAIN PRICE CHANGES

Rises	Falls
Reddard 254.0 -0.16 13.90	Brit Biotech 134.0 -15.5 -17.08
Celtic Telecom 516.5 -3.00 13.89	Greenstar 367.5 -1.0 -4.54
Brit Energy 365.5 -11.00 12.98	Nicov Save 328.5 -8.5 -4.54
Brit Telecom 469.5 10.00 12.46	Tesco 457.5 6.0 -4.33

## CURRENCIES



Pound	Friday	1% chg	1% chg	10 year	15 year	Long bond	1 yr chg
Dollar	1.6162	+0.01c	1.5635	0.6188	-0.21p	0.6396	
D-Mark	2.8379	+0.77p	2.3946	1.7576	-0.36p	1.5307	
Yen	197.22	+22.24	174.43	121.87	+40.81	111.51	
S index	100.10	+0.40	87.10	105.20	-0.10	97.80	

## OTHER INDICATORS

Index	Close	1% chg	1% chg	10 year	15 year	Long bond	1 yr chg
Brent Oil (\$)	21.32	1.89	23.24	112.80	3.50	109.00	24.02
Gold (\$)	334.45	7.40	379.25	RPI	158.50	3.5	153.14 07.02
Silver (\$)	5.15	0.39	4.90	Base Rates	7.00		5.75

www.bloomberg.com source: Bloomberg

## IN BRIEF

### Waterstone meets investors

Key WH Smith institutional shareholders will meet Tim Waterstone, the bookshop mogul, today and tomorrow to discuss his plans to revive the retailer. The shareholders, who together own around 30 per cent of WH Smith, are hoping for clarification from Mr Waterstone about what exactly his proposals entail. WH Smith has said it would meet Mr Waterstone if institutional shareholders requested it.

### Celtic Energy stake for sale

A for-sale sign has been hoisted over Celtic Energy, the Welsh coal mining and power generating group. Charterhouse Development Capital has put its 85 per cent stake up for sale, and is hoping to find a buyer willing to invest in expanding the business. City analysts reckon Celtic, which bought some of British Coal's Welsh sites, is likely to be sold early next year and could go for around £200m.

### 'Close money-market gap'

Central banks must help ensure a smooth start to a single European currency by helping to close the gap in money-market rates. Edgar Meister, a Bundesbank council member, said yesterday. Long-term borrowing rates have declined towards Germany's low level after optimism that most of the 15 European Union nations will start monetary union on time in 1999, but large gaps in shorter money-market rates remain. "In preparation for a unified monetary policy, there must also be an adjustment in short-term rates," Mr Meister said.

### Telecom sale to raise \$6bn

Investors and analysts said the French government would price France Telecom, Europe's second-biggest telephone company, at the high end of the range today. The government is likely to raise more than \$6bn by selling up to one-fifth of France Telecom in the country's biggest IPO. The sale will help reduce the country's debt.

## Cadbury joins Close Brothers bank

While Barclays Bank has put a chunk of its BZW investment bank up for sale, a small UK merchant bank is expanding its corporate finance side and has made a senior appointment.

Close Brothers, the small but fast-growing merchant bank, has recruited Peter Cadbury, until earlier this year deputy chairman of Morgan Grenfell, as joint chairman of its corporate finance department. This follows the merger by Close Brothers in June 1996 with the corporate finance team at Hill Samuel. Since then it has been involved in more than 50 deals valued at more than £2bn.

Mr Cadbury, 54, spent 27 years at Morgan Grenfell and became one of the City's best-known deal makers but began to feel ill at ease with changes made by its German parent, Deutsche Bank.

Having talked with senior businessmen recently, Mr Cadbury said: "Many feel that large integrated investment banks are now driven by their product and distribution strengths, creating conflicts which prevent them sitting alongside their clients on a long-term basis."

Mr Cadbury said the five years following the purchase of Morgan Grenfell by Deutsche

in 1989 were "a very happy period. We were left alone, to get on with traditional mergers and acquisitions work, giving top-quality, objective advice on strategic issues to clients."

Then Deutsche decided to form a global integrated investment bank to take on the American "bulge bracket" banks and things changed. "This was moving away from what I do best. It's the long-term objective approach against the very short-term transaction-led business."

For the past seven years Mr Cadbury has been working exclusively with clients and he aims to build Close Brothers' corporate

finance client list. Mr Cadbury is a scion of the chocolate dynasty although he has never worked in the business.

While at Morgan Grenfell he was involved in advising United Technologies/Sikorsky on the reconstruction of Westland, advising Scottish & Newcastle on its acquisition of Matthew Brown and Minorco on its contested offer for Consolidated Goldfields and sale to Hanson.

At Close Brothers he will find a client list which includes more than 80 quoted companies such as Brent Walker, Logica and Pizzardi Express.

—John Wilcock

## Omnicom deal creates giant brand consultancy

Omnicom, the international advertising network, has bought Newell and Sorrell, the design consultancy that created British Airways' controversial new corporate identity.

Newell and Sorrell is to be merged with Omnicom's wholly-owned subsidiary, Interbrand UK, which developed the Metro, Maestro and Moniego names for British Leyland in the Seventies. Tom Blackett, deputy chairman of Interbrand, said the enlarged company, Interbrand Newell and Sorrell (INS), would be the largest brand consultancy in the world, with a

turnover of £20m and 200 staff in the UK.

He said Newell and Sorrell was "an extremely good corporate identity business" but would not be drawn on how much Omnicom had paid for it.

Newell and Sorrell ran into controversy earlier this year when it redesigned BA's corporate image. The Union Jack logo was ditched in favour of ethnic art from around the world as part of BA's £60m revamp. However, critics said the airline had lost its British identity and should have focused on setting industrial action by its

cabin crew rather than wasting resources on its image.

Husband-and-wife team John Sorrell and Frances Newell have been responsible for creating some of the country's best-known brands, including the InterCity swallow. They set up shop in 1976 and now have offices in London and Amsterdam, devising and developing brands for clients such as Boots, Waterstone's and Schwepps. Mr Sorrell, chairman of Newell and Sorrell, becomes chairman of the new company. However, roles for Ms Newell and Janet Fogg, chief operating

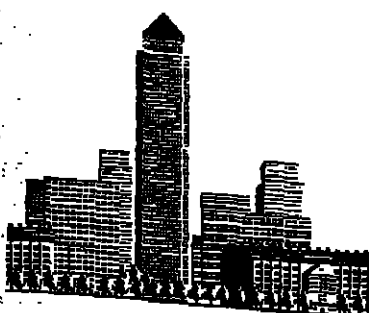
officer of Interbrand UK, have not yet been finalised.

Mr Sorrell said INS would be unique. "Interbrand has pioneered new techniques and processes in the fields of brand strategy and Newell and Sorrell is recognised as one of the most inspiring and effective identity consultancies," he said. Interbrand, founded 23 years ago and with 500 staff world-wide, has done work for Hob Nobs, Zeneca and Volvo. Omnicom bought the business in 1993, turning its founder, John Murphy, into a millionaire. —Cathy Newman



هَذَا من الأصل

## New US paradigm is really just an old bugbear



GAVYN  
DAVIES  
ON WHY  
INFLATION  
HAS STAYED  
SO LOW

Although it has not yet crossed the Atlantic, the financial markets in the United States are obsessed with a new economic "paradigm" which is held to explain why inflation has remained so low in recent years, and why equity and bond prices have been so buoyant. It would not be right to glorify the new paradigm with the title of a novel economic theory - rather it consists of a series of assertions, mixed in with a few empirical observations, and topped off with a healthy dose of optimism.

Nevertheless, anything which has influenced the thinking of Fed Chairman Alan Greenspan, which the new paradigm appears to have done this year, cannot be dismissed lightly, and some aspects of the optimists' case probably make some sense. For example, the focus on increasing returns to shareholders has clearly boosted the sustainable valuation of Wall Street.

But this week I want to examine the optimistic macro-economic aspects of the new paradigm. My conclusion is that the optimists' case looks very shaky, but that a quite different case for optimism is probably valid.

The macro-economics of the new paradigm rest on two unrelated assertions, which together explain why inflation has remained low during the economic upswing of the 1990s. The first is that underlying productivity growth has been greatly boosted by the revolution in information technology and other spin-offs from the microchip. This, it is claimed, has greatly boosted the potential output of the services sector, but the official GDP statistics have not correctly accounted for this change. Hence policymakers have not ap-

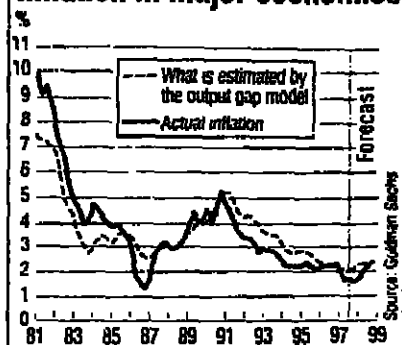
preciated just how much productivity has actually risen. The second assertion is that wage inflation has been held down by the opening of a new global labour market, in which competition from the emerging economies has depressed the wages of unskilled workers in the west.

The combined effect of these two developments, according to aficionados of the new paradigm, is that output growth could be much higher than it actually has been, without any adverse effects on inflation. The villains of this story are the central bankers of the developed economies, especially the United States, who are accused of holding monetary policy too tight for too long. Far from needing to tighten policy today, the optimists demand that they should cut interest rates to allow the benefits of the new paradigm to shine through.

The popularity of the new paradigm has not so far been impeded by the fact that it is inherently implausible in several regards. For example, only a tiny fraction of the US economy is subject to competition from labour in emerging economies, which makes large systemic effects somewhat dubious. Furthermore, if productivity in the service sector is being systematically under-recorded, then so too is output. In other words, since real GDP is already growing much faster than the official statistics show, there is no case for central bankers to boost growth still further.

We can see from the employment figures in the US that output growth is higher than productivity growth, and that the labour market is tightening. That relatively is all that matters; the fact that output

## Inflation in major economies



and productivity are both growing faster than the official figures show is not relevant for policy.

These rebuttals have become quite familiar in the debate in recent months, but have done little or nothing to stop the spread of the new paradigm. So today I would add two more facts that cast doubt on the hypothesis.

First, if the new paradigm were true, we would expect to see economic forecasting models breaking down, with a persistent tendency for price inflation to come in lower than expected for any given rate of output growth, and wage inflation to come in lower than expected for any given level of unemployment. The inflation/output and wages/unemployment trade-offs should improve, relative to the past behaviour captured in macro models.

Furthermore, this should have happened on a global basis. Unfortunately, there is very little evidence that this has been the case. For simplicity, I have examined the track record of the IMF

forecasts published each September since 1991 for the ensuing calendar year. (The IMF has been chosen because its forecasts are driven by a consistent global econometric model, though of course a great deal of judgement also intrudes into the process.) What do we find?

For the G7 as a whole, there has clearly been a tendency for the IMF to be too pessimistic about inflation prospects in the recent past - in the past five years, the actual inflation rate has been 0.3 per cent per annum lower than the IMF has forecast. This is encouraging for the new paradigm. However, the reason for this result is that the IMF has persistently been too optimistic about global GDP growth. Real GDP growth has on average been a remarkable 0.7 per cent per annum less than the IMF expected.

Consequently, there has been no improvement in the output/inflation relationship. All that has happened is that inflation has been lower than expected because output has remained much more depressed than the forecasts showed. Similar results hold for the wages/unemployment relationship. And the results also hold for the US economy taken in isolation.

The second argument against the new paradigm is this. Remember that, if the hypothesis were true, then the traditional relationships connecting spare capacity to inflation should break down. To test this, Francesca Massone of Goldman Sachs has just estimated equations linking the output gap to inflation in each of the major economies, and the graph shows the result for the developed economies as a whole. The equations were estimated on

data running to the end of 1994, and the same estimates were then used to see whether anything has changed in the past three years. The basic answer is no - global inflation has indeed declined in the recent past, but it has done so exactly as would have been implied by previous relationships with the output gap.

The implication of these results is that the global inflation miracle has not been a miracle at all, but has been the result of the oldest bugbear of them all - sluggish rates of GDP growth. Since 1990, the major economies have grown at the functional rate of only 1.7 per cent per annum, and even the wonder economy of the United States has grown by markedly less than 2 per cent per annum. Growth rates of this type are quite extraordinarily low in the years following a recession, and it is no surprise at all that they have been insufficient to place any pressure on global capacity or on global inflation.

Optimism about world inflation does not therefore need to be based on any new paradigm, but depends on an assessment of whether, for the first time this decade, growth in the three main geographical blocks of the US, Japan and Europe will enjoy a synchronised expansion. Given the sharp downward adjustments which have just been made to growth forecasts in Japan and the rest of Asia, this scarcely seems likely.

Believers in the new paradigm can dream on, but the real reason for low world inflation in recent years has been that GDP growth has been exceptionally low - and that unemployment has remained exceptionally high.

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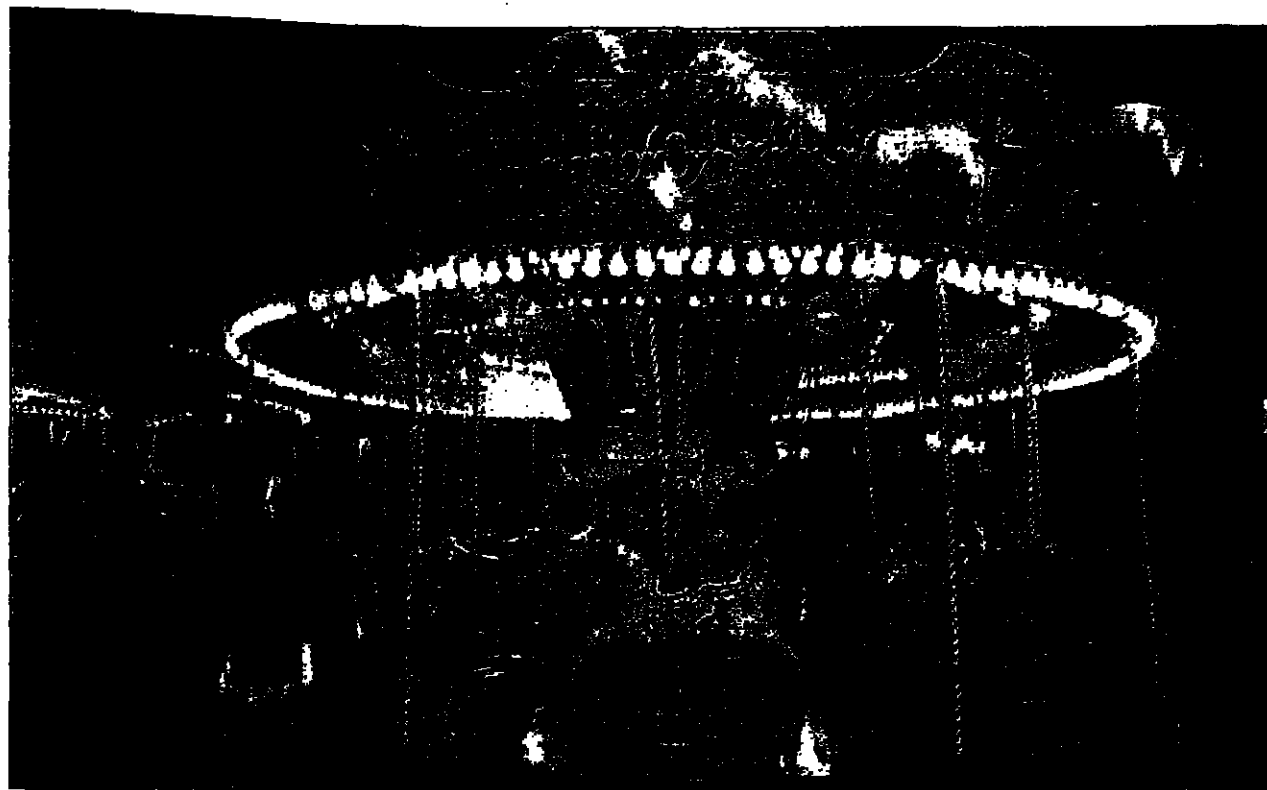
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## Roll up to buy artistic fairground attractions



Most people will have come away from a fairground with nothing more than a goldfish, or a stick of candy floss. Jojo Moyes says that today enthusiasts will have the chance to buy more substantial souvenirs.

Carousel art enthusiasts will have a rare opportunity to buy historic pieces of fairground art today when a collection goes under the hammer at Wookey Hole caves in Somerset.

The Tussauds' collection, one of the finest of its kind in the world, is expected to fetch up to £400,000. It includes important pieces from major British carvers, as well as French and American figures, some of which were brought to England for a stage production of the musical *Carousel*.

The collection was built up in the 1960s and 1970s by Lord and Lady Bangor in their Trad shop in Portobello Road, west London, and was bought by the Tussauds Group in 1973. It has been on display at the Wookey Hole Caves near Wells in Somerset ever since.

But now its owners are selling off the 300-odd carved pieces. The sale, which will be carried out by the auctioneers Christie's,



has attracted interest from buyers across the world.

A Christie's spokeswoman said: "We have sent out a huge number of catalogues for this sale, somewhere in the region of 1,500. People have been expressing an interest from all over the world, but particularly from the United States."

The pieces include a double-seater Andean bear, an Orton and Spooner galloping dragon, and a large painted figure

of a roaring lion carved by Daniel Muller at the Dentzel workshop in Philadelphia before 1900. It is expected to fetch up to £20,000.

Fairground art dates from medieval times, when the folk carving was designed to entice ordinary people. It was inspired by work done on ships and shop fronts, rather than the fine carving in church screens.

Pieces were often gilded, to prompt thoughts of exotic palaces, and many featured animals, such as camels and zebras, that ordinary rural folk would not have even heard of.

Fairground rides were initially peripheral to the main business of the fair - that of selling animals and hiring servants. But by the 19th century the rides had become an attraction in themselves.

Most pieces were regularly dismantled as the rides were moved on, and repainted every two or three years so that many are no longer true to their original appearance.

Peter Haylings, at Wookey Hole Caves, said: "The display has been at the caves for 20 years and has been enjoyed by over 6 million visitors. It is a fascinating, colourful exhibition and we regard some of the exhibits as old friends."

"The collection is now likely to be spread throughout the world."



Going under the hammer: An Orton and Spooner dragon head (above) and a merry-go-round (left) are among the Tussauds' collection on sale today Photographs: Christopher Jones



### Collectors snap up rare Rupert Bear books

An antique collection of Rupert Bear books went under the hammer yesterday, with a 1931 first edition of *Monster Rupert* being sold for £1,100.

Demand was also strong for a collection of comics from the Second World War period, including the *Wizard*, *Hotspur*, *Rover* and *Dandy*, which sold for £1,200. There were some pleasant surprises for the sellers, such as *Rupert: Little Bear and the Ogre*, which, despite being in poor condition, sold for £300 because of its rarity.

A letter from AE Bestall, the second of the series of Rupert artists, fetched £360, almost four times what was expected, while three 1930s Rupert

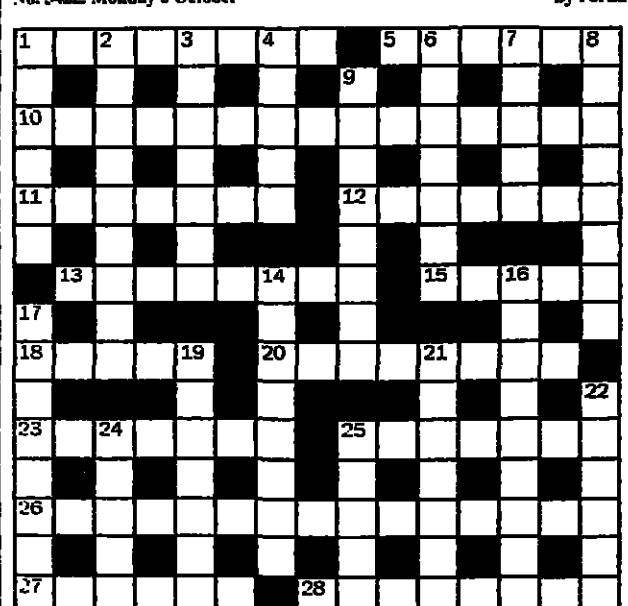
badges sold for £200, well above the predicted price.

Hamer 20th Century Books, which ran the sale at Dinnington, South Yorkshire, was "very pleased" with the £25,000 total. But many other lots disappointed. A first *Rupert Book*, dated 1921, expected to go for £600, failed to reach the reserve price. There was also no sale for *Rupert and the Secret Trail*, with a £1,100 tag. A repaired *Rupert the Little Lost Bear* of 1921 did not reach its reserve of £600, while a 1925 *Rupert and the Old Miser* went for a "bargain" £200, less than half what was predicted. The Rupert Adventure Series, numbers 1-50, expected to fetch about £1,000, were sold for just £680.

### THE INDEPENDENT CROSSWORD

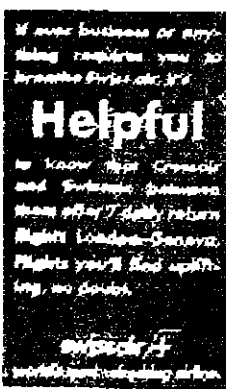
No. 3422, Monday 6 October

By Purita



- ACROSS**
- Becoming tearful about second-rate French writer (8)
  - European force going in only to come out (6)
  - Gentle hint to MP uneasy about one undergoing change (2,3,7,3)
  - Authentic information on a French one inside (7)
  - Love of languages (7)
  - Not much to be done in this situation (8)
  - Constant temptation to pocket money (5)
  - Green tie school head put on (5)
  - Current slump ending with unexpected bonanza (8)
  - Clockwork soldier (7)
  - Dreams about accepting a part in Verdi (7)
  - Direct speech? (8,7)
  - Made up for a number being out of pitch (6)
  - Brief directions for contracts (8)

- DOWN**
- Bit of a shock at the front (6)
  - Treatment for a strain, say (9)
  - Worker's co-operative? (7)
  - Former magistrate invariably returns without key (5)
  - Note advanced pupil achieves least (7)
  - Rent agreed by cathedral up North (5)
  - One may go to them when all else fails (8)
  - Way to encourage marine swimmer (8)
  - Greek character's upset by VIP who's contemptible (8)
  - Row about book one wrote on English panto figure (9)
  - Nazi group involved in racial harassment of girl (8)
  - Salvation Army officer's anger on discovering flag (7)
  - Crabby musician? (7)
  - Practices decline by a Quarter in America (6)
  - Dress ring is ordered for actress (5)
  - Wheel in the mayor at charity do (5)



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